

2001 DRAFTING REQUEST

Senate Substitute Amendment (SSA-SB9)

Received: **03/26/2001**

Received By: **dykmapj**

Wanted: **Today**

Identical to LRB:

For: **Gary George (608) 266-2500**

By/Representing: **Dan Rossmiller**

This file may be shown to any legislator: **NO**

Drafter: **dykmapj**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - UCC**

Extra Copies: **RJM**

Submit via email: **NO**

Requester's email:

Pre Topic:

No specific pre topic given

Topic:

sub to secured transactions

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	dykmapj 03/30/2001	gilfokm 03/30/2001		_____			
/1			haueca 03/30/2001	_____	lrb_docadmin 03/30/2001	lrb_docadmin 03/30/2001	

FE Sent For:

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1?	dykmapj	<i>[Handwritten: KMG 3/30]</i>	<i>[Handwritten: CH 3-30]</i>	<i>[Handwritten: CH 3/30]</i> <i>[Handwritten: PG]</i>			

FE Sent For:

<END>

State of Wisconsin



S 0082

GARY R. GEORGE
SENATOR

MEMORANDUM

CONFIDENTIAL

TO: Peter Dykman, General Counsel
Legislative Reference Bureau

FROM: Dan Rossmiller *DR*

DATE: March 22, 2001

RE: Drafting Request

Senator George requests that you draft a substitute amendment to 2001 Senate Bill 9 that would incorporate the following drafts:

LRBa0367/1 and LRBa0313/1.

In addition, the substitute should incorporate items 6, 7, 8 and 9 only of LRBa0156/1. The provisions eliminate the fee for the filing of a termination statement and delete the automatic award of \$500 for specified failures to comply with certain provisions of UCC, Art. 9.

Thank you for your assistance.

Please feel free to contact me (6-2500) if you have any questions.

**SENATE AMENDMENT ,
TO 2001 SENATE BILL 9**

reverse
delete chg for SSA to SB9

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 46, line 17: delete lines 17 and 18 and substitute:

3 “(5) APPLICATION OF PAYMENT. If the extent to which a”.

4 **2.** Page 47, line 7: delete lines 7 and 8 and substitute:

5 “(6) NO LOSS OF STATUS OF PURCHASE-MONEY SECURITY INTEREST. A
6 purchase-money security interest does not lose its status as such, even”.

7 **3.** Page 47, line 17: delete lines 17 and 18 and substitute:

8 “(7) BURDEN OF PROOF. A secured party claiming a”.

9 **4.** Page 47, line 21: delete lines 21 to 24.

10 **5.** Page 48, line 1: delete lines 1 and 2.

11 **6.** Page 149, line 3: after that line insert:

12 “(1m) NO FEE FOR FILING TERMINATION STATEMENT. There is no fee for the filing
13 of a termination statement.”.

key 6-9



State of Wisconsin
2001 - 2002 LEGISLATURE

50082/1
LRB-2001/1

PJD:kmg:ch
↑

Today
By 1 p.m.

~~2001 BILL~~
S Substitute for
to 2001 Senate Bill 9

D-NOTE

1 AN ACT to repeal 402.326 (3), 411.303 (3), 411.307 (2) (b) and (c) and 411.307 (4);
2 to renumber 402.210 (3), 402.210 (4), 402.210 (5), 402.502 (2) and 411.303 (6),
3 (7) and (8); to renumber and amend 402.502 (1), 408.110 (5) (b), 408.110 (5)
4 (c), 408.110 (5) (d), 408.301 (1) (c), 408.510 (3), 411.303 (4) and 411.303 (5); to
5 consolidate, renumber and amend 411.307 (2) (intro.) and (a); to amend
6 30.57 (3), 30.57 (5), 30.57 (6), 30.57 (7), 30.57 (8), 30.573 (1), 30.573 (2), 30.576
7 (1), 50.05 (15) (f), 51.42 (3) (d) 12. f., 59.43 (1) (L), 59.43 (1) (m), 59.43 (1) (n),
8 59.43 (1) (o), 59.43 (2) (ag) 2., 59.43 (2) (d), 100.201 (2) (d), 100.201 (2) (e) 1.,
9 101.9213 (2), 101.9213 (4), 101.9213 (5), 101.9213 (6), 101.9213 (7), 101.9215
10 (1), 101.9215 (2), 101.9218 (1), 101.9222 (5) (b), 109.09 (2) (b) 2., 138.09 (7) (i)
11 2., 340.01 (56m), 340.01 (56n), 342.19 (2), 342.19 (3), 342.19 (4), 342.19 (5),
12 342.19 (6), 342.21 (1), 342.21 (2), 342.24, 344.185 (3) (intro.), 401.201 (9),
13 401.201 (32), 401.201 (37) (a), 402.103 (3) (d), 402.326 (title), 402.326 (2),
14 402.502 (title), 402.716 (3), 406.102 (1), 406.102 (2), 407.503 (1) (a), 408.103 (6),

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1 408.106 (4) (a) and (b), 408.106 (6), 408.110 (5) (a), 408.302 (1), 408.510 (1),
2 411.103 (3) (a), 411.103 (3) (d), 411.103 (3) (e), 411.103 (3) (f), 411.103 (3) (h),
3 411.103 (3) (j), 411.103 (3) (L), 411.103 (3) (m), 411.303 (1) and (2), 411.309 (1)
4 (c), 421.301 (21), 422.413 (2r) (intro.), 422.413 (2r) (f), 425.105 (4), 425.203 (3)
5 (intro.), 425.204 (2), 425.207 (2), 425.208 (6), 779.48 (2), 779.89, 779.91 (2),
6 779.97 (4) (a) 1., 779.97 (4) (b) 1., 779.97 (4) (b) 2., 779.97 (4) (b) 3., 779.97 (4)
7 (b) 4., 779.97 (4) (d), 779.97 (4) (e), 815.18 (2) (i), 815.18 (2) (j), 818.02 (4), 893.36
8 (3) (b), 893.36 (3) (c), 893.36 (3) (e) and 893.36 (3) (f); **to repeal and recreate**
9 401.105 (2) (e), chapter 409 and 411.307 (3); and **to create** 402.210 (3), 402.502
10 (1) (a), 402.502 (2), 405.118, 408.106 (4) (c), 408.110 (5) (b), 408.301 (1) (c) 1. and
11 2. and 408.510 (3) (a) to (c) of the statutes; **relating to:** revising the Uniform
12 Commercial Code — Secured Transactions and related statutes, granting
13 rule-making authority, and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill adopts the Revised Uniform Commercial Code (UCC) Article 9—Secured Transactions, which was approved by the National Conference of Commissioners on Uniform State Laws and by the American Law Institute in 1998 and by the American Bar Association, with the amendments approved by the national conference in 1999 and 2000. It also incorporates assembly amendments 2, 3, and 4 to 2001 Assembly Bill 111.

UCC Article 9—Secured Transactions governs transactions that involve the granting of credit secured by personal property of a debtor, allowing the creditor to take the property if the debtor defaults on the debt. The changes that Revised UCC Article 9—Secured Transactions makes include the following, which are discussed in more detail below: 1) the scope of Article 9 is expanded to include kinds of property such as deposit accounts, health care receivables, and commercial tort claims, that were excluded in original Article 9; 2) perfection of a security interest by control is available not only for investment property, but also for deposit accounts and letter-of-credit rights; 3) the location of the debtor rather than the location of the collateral determines where a security interest perfects; 4) a simplified and unified system of filing financing statements in one place in each state to perfect security interests replaces the original filing system that allowed certain local filing; 5) consumers obtain certain rights that were not available in original Article 9, such as

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specific disclosure of any deficiency rights that the creditor may have; and 6) new rules for enforcement, such as a requirement that a creditor notify a secondary obligor when repossessing goods that are subject to a security interest.

The UCC has 11 substantive articles. Article 9 provides the rules governing any transaction (other than a finance lease) that couples a debt with a creditor's interest in a debtor's personal property. If the debtor defaults, the creditor may repossess and sell the property (generally called collateral) to satisfy the debt. The creditor's interest is called a "security interest." Article 9 also covers certain kinds of sales that look like a grant of a security interest.

There are two key concepts in the operation of Article 9: "attachment" and "perfection." These terms describe the two key events in the creation of a "security interest." Attachment generally occurs when the security interest is effective between the creditor and the debtor, and that usually happens when their agreement provides that it take place. Perfection occurs when the creditor establishes his or her "priority" in relation to other creditors of the debtor in the same collateral. The creditor with "priority" may use the collateral to satisfy the debtor's obligation when the debtor defaults before other creditors subsequent in priority may do so. Perfection occurs usually when a "financing statement" is filed in the appropriate public record. Generally, the first to file has the first priority, and so on.

Article 9 relies on the public record because it provides the means for creditors to determine whether there is any security interest that precedes theirs — a notice function. The idea is that a subsequent secured creditor cannot complain that his or her grant of credit was made in ignorance of the prior security interests easily found in the public record, and cannot complain of the priority of the prior interests as a result. Every secured creditor has a priority over any unsecured creditor.

Article 9 is more complex than the description in the two prior paragraphs implies. There are substantial exceptions to the above-stated perfection rule, for example. Filing is not the only method for perfection, depending upon the kind of property that is collateral. Possession of collateral by the secured party is an alternative method of perfection for many kinds of collateral. For some kinds of property, control (a defined term) either perfects the interest or provides a better priority than filing does. There are kinds of transactions for which attachment is perfection. Priority is, also, not always a matter of perfecting a security interest first in time.

The following numbered topics highlight Article 9 as revised in 1998:

1. Scope

The 1998 revision expands the "scope" of Article 9. What this means is that the kinds of property in which a security interest can be taken by a creditor under Article 9 increase over those available in Article 9 before revision. Also, certain kinds of transactions that did not come under Article 9 before now come under Article 9. These are some of the kinds of collateral that are included in Revised Article 9 that were not in original Article 9: sales of payment intangibles and promissory notes; security interests created by governmental debtors; health insurance receivables; consignments; and commercial tort claims. Nonpossessory, statutory agricultural

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liens come under Article 9 for determination of perfection and priority, generally the same as security interests come under Article 9 for those purposes.

2. Perfection

Filing a financing statement remains the dominant way to perfect a security interest in most kinds of property. It is clearer in Revised Article 9 that filing a financing statement will perfect a security interest, even if there is another method of perfection. "Control" is the method of perfection for letter-of-credit rights and deposit accounts, as well as for investment property. Control was available only to perfect security interests in investment property under prior Article 9. A creditor has control when the debtor cannot transfer the property without the creditor's consent. Possession, as an alternative method to filing a financing statement to perfect a security interest, is the only method for perfecting a security interest in money that is not proceeds of sale from property that is subject to a security interest. Automatic perfection for a purchase money security interest is increased from 10 days in prior Article 9 to 20 days in Revised Article 9. Attachment of a purchase money security interest is perfection, at least for the 20-day period. Then another method of perfection is necessary to continue the perfected security interest. However, a purchase money security interest in consumer goods remains perfected automatically for the duration of the security interest.

3. Choice of Law

In interstate secured transactions, it is necessary to determine which state's laws apply to perfection, the effect of perfection, and the priority of security interests. The 1998 revisions to Article 9 make two fundamental changes from prior Article 9. In prior Article 9, the basic rule chooses the law of the state in which the collateral is found as the law that governs perfection, effect of perfection, and a creditor's priority. In Revised Article 9, the new rule chooses the state that is the location of the debtor. Further, if the debtor is an entity created by registration in a state, the location of the debtor is the location in which the entity is created by registration. If an entity is a corporation, for example, the location of the debtor is the state in which the corporate charter is filed or registered. In prior Article 9, the entity that is a debtor is located in the state in which it has its chief executive office.

4. Filing System

Changes in the filing system in the 1998 revisions to Article 9 include a full commitment to centralized filing — one place in every state in which financing statements are filed. Under Revised Article 9, the only local filing of financing statements occurs in the real estate records for fixtures. "Fixtures" are items of personal property that become physically part of the real estate, and are treated as part of the real estate until severed from it. The bill anticipates that electronic filing of financing statements will replace the filing of paper. Paper filing of financing statements was already disappearing in a number of states in 1998, as Revised Article 9 became available to them. Revised Article 9 definitions and provisions allow the transition from paper to electronic filing without further revision of the law. Revised Article 9 makes filing-office operations more ministerial than old Article 9 did. The office in which the financing statements are filed has no responsibility for the accuracy of information on the statements and is fully absolved from any liability

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for the content of any statements received and filed. There is no signature requirement for a financing statement.

5. Consumer Transactions

Revised Article 9 makes a clearer distinction between transactions in which the debtor is a consumer than prior Article 9 did. Enforcement of a security interest that is included in a consumer transaction is handled differently in certain respects in the 1998 revisions to Article 9 than it was before 1998. Examples of consumer provisions are: a consumer cannot waive redemption rights in a financing agreement; a consumer buyer of goods who prepays, in whole or in part, has an enforceable interest in the purchased goods and may obtain the goods as a remedy; a consumer is entitled to disclosure of the amount of any deficiency assessed against him or her, and the method for calculating the deficiency; and, a secured creditor may not accept collateral as partial satisfaction of a consumer obligation, so that choosing strict foreclosure as a remedy means that no deficiency may be assessed against the debtor.

6. Default and Enforcement

Article 9 provisions on default and enforcement deal generally with the procedures for obtaining property in which a creditor has a security interest and selling it to satisfy the debt, when the debtor is in default. Normally, the creditor has the right to repossess the property. Revised Article 9 includes new rules dealing with "secondary" obligors (guarantors), new special rules for some of the new kinds of property that is subject to security interests, new rules for the interests of subordinate creditors with security interests in the same property, and new rules for aspects of enforcement when the debtor is a consumer debtor. These are some of the specific new rules: a secured party (creditor with security interest) is obliged to notify a secondary obligor when there is a default, and a secondary obligor generally cannot waive rights by becoming a secondary obligor; a secured party who repossesses goods and sells them is subject to the usual warranties that are part of any sale; junior secured creditors (subsequent in priority), and lienholders who have filed financing statements, must be notified when a secured party repossesses collateral; and, if a secured party sells collateral at a low price to an insider buyer, the price that should have been obtained for the goods in a commercially reasonable sale, rather than the actual price, is the price that will be used in calculating the deficiency.

7. Nonuniform Changes

This bill incorporates assembly amendments 2, 3, and 4 to 2001 AB-111.

Assembly Amendment 2 to 2001 AB-111 exempts from the chapter assignments of a claim or right to receive worker's compensation; adds a note to the filing forms that insertion of a social security number is optional; and provides the Department of Financial Institutions spending authority to administer the chapter.

Assembly Amendment 3 to 2001 AB-111 creates a security interest called a production-money security agreement. A production-money security interest allows the debtor to obtain new value in order to produce crops, and gives the creditor's security interest priority in those crops to the extent that the value is used to produce the crops.

Assembly Amendment 4 to 2001 AB-111 eliminates several distinctions between nonconsumer goods and consumer goods; eliminates the filing fee for filing

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termination statements; and eliminates a \$500, statutorily prescribed, damage penalty for certain violations of the chapter.

For additional information, see the website of the National Conference of Commissioners on Uniform State Laws at http://www.nccusl.org/uniformact_factsheets/uniformacts-fs-ucca9.htm; and http://www.nccusl.org/uniformact_summaries/uniformacts-s-uccra9st1999.htm. For the NCCUSL drafting file for the uniform act, see <http://www.law.upenn.edu/bll/ulc/ulc.htm#ucc9>. For more information, see the Legislative Reference Bureau's drafting file for this bill and 2001 Assembly Bill 111 and 2001 Senate Bill 9.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 30.57 (3) of the statutes is amended to read:

2 30.57 (3) Except as provided in sub. (4), a security interest is perfected by the
3 delivery to the department of the existing certificate of title, if any, an application for
4 a certificate of title containing the name and address of the secured party, and the
5 required fee. The security interest is perfected as of the later of the time of its
6 creation if delivery to the department is completed ~~within 10 days after its creation~~
7 ~~and without regard to the limitations expressed in s. 409.301 (2); otherwise, as of the~~
8 ~~time of delivery~~ or the time of the attachment of the security interest.

9 **SECTION 2.** 30.57 (5) of the statutes is amended to read:

10 30.57 (5) An unperfected security interest is subordinate to the rights of
11 persons described in s. ~~409.301~~ 409.317.

12 **SECTION 3.** 30.57 (6) of the statutes is amended to read:

13 30.57 (6) The rules of priority stated in s. ~~409.312~~, and 409.322, the other
14 sections referred to in that section, and subch. III of ch. 409 shall, to the extent
15 appropriate, apply to conflicting security interests in a boat of a type for which a
16 certificate of title is required.

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1 **SECTION 4.** 30.57 (7) of the statutes is amended to read:

2 30.57 (7) The rules stated in ss. ~~409.501 to 409.507~~ subch. VI of ch. 409
3 governing the rights and duties of secured parties and debtors and the requirements
4 for, and effect of, disposition of a boat by a secured party, upon default shall, to the
5 extent appropriate, govern the rights of secured parties and owners with respect to
6 security interests in boats perfected under this section and ss. 30.572 and 30.573.

7 **SECTION 5.** 30.57 (8) of the statutes is amended to read:

8 30.57 (8) If a boat is subject to a security interest when brought into this state,
9 s. ~~409.103 (1), (2) and (3)~~ state 409.316 states the rules which determine the validity
10 and perfection of the security interest in this state.

11 **SECTION 6.** 30.573 (1) of the statutes is amended to read:

12 30.573 (1) ~~A~~ Except as otherwise provided in s. 409.308 (5), a secured party
13 may assign, absolutely or otherwise, the secured party's security interest in a boat
14 to a person other than the owner without affecting the interest of the owner or the
15 validity of the security interest, but any person without notice of the assignment is
16 protected in dealing with the secured party as the holder of the security interest and
17 the secured party remains liable for any obligations as a secured party until the
18 assignee is named as secured party on the certificate of title.

19 **SECTION 7.** 30.573 (2) of the statutes is amended to read:

20 30.573 (2) ~~To~~ Subject to s. 409.308 (5), to perfect an assignment, the assignee
21 may deliver to the department the certificate of title, the fee required under s. 30.537
22 (4) (f) and an assignment by the secured party named in the certificate in the form
23 the department prescribes. Upon receipt, the department shall name the assignee
24 as a secured party on the certificate and issue a new certificate.

25 **SECTION 8.** 30.576 (1) of the statutes is amended to read:

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1 30.576 (1) Except as provided in sub. (2) and subject to s. 409.311 (4), the
2 method provided in ss. 30.57 to 30.575 of perfecting and giving notice of security
3 interests subject to those sections is exclusive. Security interests subject to ss. 30.57
4 to 30.575 are exempt from the provisions of law that otherwise require or relate to
5 the filing of instruments creating or evidencing security interests.

6 **SECTION 9.** 50.05 (15) (f) of the statutes is amended to read:

7 50.05 (15) (f) The receiver shall, within 60 days after termination of the
8 receivership, file a notice of any lien created under this subsection. No action on a
9 lien created under this subsection may be brought more than 2 years after the date
10 of filing. If the lien is on real property, the notice shall be filed with the clerk of circuit
11 court of the county in which the facility is located and entered on the judgment and
12 lien docket kept under s. 779.07. If the lien is on personal property, notice of the lien
13 shall be filed with the department of financial institutions in the same manner, form,
14 and place as financing statements are filed under subch. V of ch. 409 regarding
15 debtors who are located in this state. The department of financial institutions shall
16 ~~place~~ file the notice of the lien on personal property in the same file as financing
17 statements are filed under ~~ss. 409.401 and 409.402~~ subch. V of ch. 409. The notice
18 shall specify the name of the person against whom the lien is claimed, the name of
19 the receiver, the dates of the petition for receivership and the termination of
20 receivership, a description of the property involved and the amount claimed. No lien
21 shall exist under this section against any person, on any property, or for any amount
22 not specified in the notice filed under this paragraph. To the extent applicable, ch.
23 846 controls the foreclosure of liens under this subsection that attach to real
24 property.

25 **SECTION 10.** 51.42 (3) (d) 12. f. of the statutes is amended to read:

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1 51.42 (3) (d) 12. f. The receiver shall, within 60 days after termination of the
2 receivership, file a notice of any lien created under this subdivision. No action on a
3 lien created under this subdivision may be brought more than 2 years after the date
4 of filing. If the lien is on real property, the notice shall be filed with the clerk of circuit
5 court for the county in which the county department of community programs or
6 related program is located and entered on the judgment and lien docket kept under
7 s. 779.07. If the lien is on personal property, notice of the lien shall be filed with the
8 department of financial institutions in the same manner, form, and place as
9 financing statements are filed under subch. V of ch. 409 regarding debtors who are
10 located in this state. The department of financial institutions shall place file the
11 notice of the lien on personal property in the same file as financing statements are
12 filed under ss. 409.401 and 409.402 subch. V of ch. 409. The notice shall specify the
13 name of the county department of community programs or related program against
14 which the lien is claimed, the name of the receiver, the dates of the petition for
15 receivership and the termination of receivership, a description of the property
16 involved and the amount claimed. No lien may exist under this subdivision against
17 any person, on any property or for any amount not specified in the notice filed under
18 this subd. 12. f. To the extent applicable, ch. 846 controls the foreclosure of liens
19 under this subdivision that attach to real property.

20 **SECTION 11.** 59.43 (1) (L) of the statutes is amended to read:

21 59.43 (1) (L) File all documents pertaining to security interests ~~in personal~~
22 ~~property, crops or fixtures, as defined in s. 401.201 (37) (a),~~ that are required or
23 authorized by law to be filed with the register. Except as otherwise prescribed by the
24 department of financial institutions under ss. 409.403 to 409.406 subch. V of ch. 409,
25 these documents shall be executed on white or light colored sheets of paper, 8 or 8.5

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1 inches wide and 5, 7, 10.5, or 14 inches long. Whenever there is offered for filing any
2 document that varies more than one-eighth of an inch from the approved size, or that
3 is not on a standard form prescribed by ch. 409 or by the department of financial
4 institutions, then in addition to the regular filing fee an additional filing fee shall be
5 charged by the register of deeds, as prescribed by sub. (2). No assignment, release,
6 or other instrument shall be offered for filing that is executed or endorsed on any
7 other document, but each shall be a separate and distinct document, except those
8 assignments or notices that are printed or written on and immediately following the
9 original agreement or financing statement, offered for filing at the same time, shall
10 be considered as one document. All of these documents shall be legibly written, and
11 shall have the names of the debtor and secured party plainly printed or typed on the
12 document and shall provide a space for filing data of the register of deeds on the
13 outside of the document.

14 **SECTION 12.** 59.43 (1) (m) of the statutes is amended to read:

15 59.43 (1) (m) ~~Keep~~ Except as otherwise provided in subchs. V and VII of ch. 409,
16 keep these chattel documents in consecutive numerical arrangement, for the
17 inspection of all persons, endorsing on each document the document number and the
18 date and time of reception.

19 **SECTION 13.** 59.43 (1) (n) of the statutes is amended to read:

20 59.43 (1) (n) Upon the filing of a financing statement or other document
21 evidencing the creation of a security interest ~~in personal property or fixtures or in~~
22 ~~crops growing or to be grown, as defined in s. 401.201 (37) (a), required to be filed or~~
23 recorded with the register under s. 409.501 (1) (a), enter the name of each debtor
24 alphabetically in indices, of which each page shall be divided into columns which
25 shall contain the following information: number of the document, date and time of

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1 filing, name and address of debtor, name and address of secured party, name of the
2 document, the amount if any, shown in the document, brief description of property,
3 and the last column set aside for the entry of assignments, continuation statements,
4 termination statements, foreclosure affidavits, extensions and releases pertaining
5 to such financing statements or chattel security documents. If the financing
6 statement evidences the creation of a security interest in fixtures, it also shall be
7 entered in the tract index if one is kept in the county.

8 **SECTION 14.** 59.43 (1) (o) of the statutes is amended to read:

9 59.43 (1) (o) ~~Upon~~ Except as otherwise provided in subch. V of ch. 409, upon
10 the filing of an assignment, continuation statement, termination statement,
11 foreclosure affidavit, extension or release pertaining to a filed financing statement
12 or other chattel security document, enter the document number and the date and
13 time of filing in the appropriate column of the indices referred to in par. (n) and on
14 the same line as that on which the entry of the filed financing statement or other
15 chattel security document appears.

16 **SECTION 15.** 59.43 (2) (ag) 2. of the statutes is amended to read:

17 59.43 (2) (ag) 2. In the event of conflict in the statutes regarding recording fees,
18 subd. 1. shall control, except that subch. V of ch. 409 and s. 409.710 shall control this
19 section.

20 **SECTION 16.** 59.43 (2) (d) of the statutes is amended to read:

21 59.43 (2) (d) For performing functions under s. 409.407 (1) and (2) (a) and (b)
22 409.523, the register shall charge the fees stated provided in s. 409.407 (2) (a) or (b)
23 409.525, retain the portion of the fees prescribed under s. 409.525, and submit the
24 portion of the fees not retained to the state. A financing statement and an
25 assignment or notice of assignment of the security interest, offered for filing at the

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1 same time, shall be considered as only one document for the purpose of this
2 paragraph. Whenever there is offered for filing any document that is not on a
3 standard form prescribed by ch. 409 or by the department of financial institutions
4 or that varies more than 0.125 inch from the approved size as prescribed by sub. (1),
5 the appropriate fee specified in ~~ss. 409.403 to 409.406~~ provided in s. 409.525 or an
6 additional filing fee of one-half the regular fee, whichever is applicable, shall be
7 charged by the register.

8 **SECTION 17.** 100.201 (2) (d) of the statutes is amended to read:

9 100.201 (2) (d) Make or underwrite loans to a retailer or become bound in any
10 manner for the financial obligation of any retailer except that a wholesaler may lend
11 money to a retailer for the purchase of equipment for the storage, transportation, and
12 display of selected dairy products, provided the loan is for not more than 90% of the
13 purchase price, bears at least a 5% annual interest rate, is payable in equal monthly
14 ~~instalments~~ installments over a period of not more than 48 months, and is secured
15 by a security interest created by a security agreement specifying all payments by the
16 retailer and duly filed by the wholesaler within 10 days after the making or
17 underwriting of said loan, as provided in ~~ss. 409.401 and 409.402~~ subch. V of ch. 409
18 regarding debtors who are located in this state.

19 **SECTION 18.** 100.201 (2) (e) 1. of the statutes is amended to read:

20 100.201 (2) (e) 1. The wholesaler, under a bill of sale or security agreement
21 describing the property sold and specifying the price and terms of sale duly filed by
22 the wholesaler under ~~ss. 409.401 and 409.402~~ subch. V of ch. 409 within 10 days after
23 delivery of the equipment described therein, may sell equipment for the storage,
24 transportation, and display of selected dairy products to the retailer but the selling
25 price shall be not less than the cost to the wholesaler, less 10% per year depreciation,

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1 plus transportation and installation costs, plus at least 6%, but in no event shall it
2 be less than \$100 per unit. In filing bills of sale under this section, the filing officer
3 shall follow the procedure under ~~s. 409.403~~ subch. V of ch. 409 regarding debtors who
4 are located in this state insofar as applicable. If the wholesaler makes the sale under
5 a security agreement, the terms of sale shall be no more favorable to the retailer than
6 those under sub. (2) (d). Failure by any wholesaler to enforce the wholesaler's
7 security interest under this paragraph or sub. (2) (d) if a retailer is in default for more
8 than 90 days shall constitute prima facie evidence of a violation of this section. No
9 wholesaler shall renegotiate a security agreement which is in default.

10 **SECTION 19.** 101.9213 (2) of the statutes is amended to read:

11 101.9213 (2) Except as provided in sub. (3), a security interest is perfected by
12 the delivery to the department of the existing certificate of title, if any, an application
13 for a certificate of title containing the name and address of the secured party, and the
14 required fee. The security interest is perfected as of the later of the time of its
15 creation if such delivery is completed within 10 days after the time that the security
16 interest is created, and without regard to the limitations expressed in s. 409.301 (2).
17 If the delivery is not completed within 10 days after the time that the security
18 interest is created, the security interest is perfected as of the time of such delivery
19 or the time of the attachment of the security interest.

20 **SECTION 20.** 101.9213 (4) of the statutes is amended to read:

21 101.9213 (4) An unperfected security interest is subordinate to the rights of
22 persons described in s. 409.301 ~~409.317~~.

23 **SECTION 21.** 101.9213 (5) of the statutes is amended to read:

24 101.9213 (5) The rules of priority stated in s. 409.312, and 409.322, the other
25 sections therein referred to, and subch. III of ch. 409 shall, to the extent appropriate,

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1 apply to conflicting security interests in a manufactured home of a type for which a
2 certificate of title is required, or in a previously certificated manufactured home, as
3 defined in s. 101.9222 (1). A security interest perfected under this section or under
4 s. 101.9222 (4) or (5) is a security interest perfected otherwise than by filing for
5 purposes of s. ~~409.312~~ 409.322.

6 **SECTION 22.** 101.9213 (6) of the statutes is amended to read:

7 101.9213 (6) The rules stated in ss. ~~409.501 to 409.507~~ subch. VI of ch. 409
8 governing the rights and duties of secured parties and debtors and the requirements
9 for, and effect of, disposition of a manufactured home by a secured party, upon default
10 shall, to the extent appropriate, govern the rights of secured parties and owners with
11 respect to security interests in manufactured homes perfected under ss. 101.9202 to
12 101.9218.

13 **SECTION 23.** 101.9213 (7) of the statutes is amended to read:

14 101.9213 (7) If a manufactured home is subject to a security interest when
15 brought into this state, s. ~~409.103 (1), (2) and (3)~~ 409.316 states the rules that apply
16 to determine the validity and perfection of the security interest in this state.

17 **SECTION 24.** 101.9215 (1) of the statutes is amended to read:

18 101.9215 (1) ~~A~~ Except as otherwise provided in s. 409.308 (5), a secured party
19 may assign, absolutely or otherwise, the party's security interest in the
20 manufactured home to a person other than the owner without affecting the interest
21 of the owner or the validity of the security interest, but any person without notice of
22 the assignment is protected in dealing with the secured party as the holder of the
23 security interest and the secured party remains liable for any obligations as a
24 secured party until the assignee is named as secured party on the certificate.

25 **SECTION 25.** 101.9215 (2) of the statutes is amended to read:

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1 101.9215 (2) The Subject to s. 409.308 (5), the assignee may but need not, to
2 perfect the assignment, have the certificate of title endorsed or issued with the
3 assignee named as secured party, upon delivering to the department the certificate
4 and an assignment by the secured party named in the certificate in the form that the
5 department prescribes.

6 **SECTION 26.** 101.9218 (1) of the statutes is amended to read:

7 101.9218 (1) METHOD OF PERFECTING EXCLUSIVE. ~~Except Subject to s. 409.311 (4)~~
8 ~~and except~~ as provided in sub. (2), the method provided in ss. 101.921 to 101.9217
9 of perfecting and giving notice of security interests subject to ss. 101.921 to 101.9217
10 is exclusive. Security interests subject to ss. 101.921 to 101.9217 are exempt from
11 the provisions of law that otherwise require or relate to the filing of instruments
12 creating or evidencing security interests.

13 **SECTION 27.** 101.9222 (5) (b) of the statutes is amended to read:

14 101.9222 (5) (b) If a security interest in a previously certificated manufactured
15 home was created, but was unperfected, under any other applicable law of this state
16 on July 1, 2000, it may be perfected under par. (a), ~~but such perfection dates only from~~
17 ~~the date of the department's receipt of the certificate.~~

18 **SECTION 28.** 109.09 (2) (b) 2. of the statutes is amended to read:

19 109.09 (2) (b) 2. A lien under par. (a) upon personal property takes effect when
20 the department of workforce development or employee files a notice of the lien ~~with~~
21 ~~the department of financial institutions~~ in the same manner, form, and place as
22 financing statements are filed under subch. V of ch. 409 regarding debtors who are
23 located in this state, pays the same fee specified provided in s. 409.403 (5) (b) to the
24 department of financial institutions 409.525 for filing financing statements, and
25 serves a copy of the notice on the employer by personal service in the same manner

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1 as a summons is served under s. 801.11 or by certified mail with a return receipt
2 requested. The department of financial institutions shall place the notice of the lien
3 in the same file as financing statements are filed under ~~ss. 409.401 and 409.402~~
4 subch. V of ch. 409.

5 **SECTION 29.** 138.09 (7) (i) 2. of the statutes is amended to read:

6 138.09 (7) (i) 2. An amount sufficient to cover the fee for filing the termination
7 statement required by s. ~~409.404~~ 409.513 on loans secured by merchandise other
8 than a motor vehicle, a manufactured home, or a boat; and

9 **SECTION 30.** 340.01 (56m) of the statutes is amended to read:

10 340.01 (56m) "Secured party" ~~means a secured party as defined~~ has the
11 meaning given in s. 409.105 (1) (L) 409.102 (1) (rs).

12 **SECTION 31.** 340.01 (56n) of the statutes is amended to read:

13 340.01 (56n) "Security agreement" ~~means a security agreement as defined~~ has
14 the meaning given in s. 409.105 (1) (m) 409.102 (1) (s).

15 **SECTION 32.** 342.19 (2) of the statutes is amended to read:

16 342.19 (2) Except as provided in sub. (2m), a security interest is perfected by
17 the delivery to the department of the existing certificate of title, if any, an application
18 for a certificate of title containing the name and address of the secured party, and the
19 required fee. It is perfected as of the later of the time of its creation ~~if such delivery~~
20 ~~is completed within 10 days thereafter, and without regard to the limitations~~
21 ~~expressed in s. 409.301 (2); otherwise, as of the time of such delivery~~ or the time of
22 the attachment of the security interest.

23 **SECTION 33.** 342.19 (3) of the statutes is amended to read:

24 342.19 (3) An unperfected security interest is subordinate to the rights of
25 persons described in ~~s. 409.301~~ ss. 409.317 and 409.323.

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1 **SECTION 34.** 342.19 (4) of the statutes is amended to read:

2 342.19 (4) The rules of priority stated in s. ~~409.312~~, and ~~409.322~~, the other
3 sections therein referred to, and subch. III of ch. 409 shall, to the extent appropriate,
4 apply to conflicting security interests in a vehicle of a type for which a certificate of
5 title is required. A security interest perfected under this section is a security interest
6 perfected otherwise than by filing for purposes of ~~s. 409.312~~ subch. III of ch. 409.

7 **SECTION 35.** 342.19 (5) of the statutes is amended to read:

8 342.19 (5) The rules stated in ~~ss. 409.501 to 409.507~~ subch. VI of ch. 409
9 governing the rights and duties of secured parties and debtors and the requirements
10 for, and effect of, disposition of a vehicle by a secured party, upon default shall, to the
11 extent appropriate, govern the rights of secured parties and owners with respect to
12 security interests in vehicles perfected under this chapter.

13 **SECTION 36.** 342.19 (6) of the statutes is amended to read:

14 342.19 (6) If a vehicle is subject to a security interest when brought into this
15 state, ~~s. 409.103 (1), (2) and (3)~~ state 409.316 states the rules which apply to
16 determine the validity and perfection of the security interest in this state.

17 **SECTION 37.** 342.21 (1) of the statutes is amended to read:

18 342.21 (1) ~~A~~ Except as otherwise provided in s. 409.308 (5), a secured party
19 may assign, absolutely or otherwise, the party's security interest in the vehicle to a
20 person other than the owner without affecting the interest of the owner or the
21 validity of the security interest, but any person without notice of the assignment is
22 protected in dealing with the secured party as the holder of the security interest and
23 the secured party remains liable for any obligations as a secured party until the
24 assignee is named as secured party on the certificate.

25 **SECTION 38.** 342.21 (2) of the statutes is amended to read:

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1 342.21 (2) The Subject to s. 409.308 (5), the assignee may but need not, to
2 perfect the assignment, have the certificate of title endorsed or issued with the
3 assignee named as secured party, upon delivering to the department the certificate
4 and an assignment by the secured party named in the certificate in the form the
5 department prescribes.

6 **SECTION 39.** 342.24 of the statutes is amended to read:

7 **342.24 Method of perfecting exclusive.** The Subject to s. 409.311 (4), the
8 method provided in this chapter of perfecting and giving notice of security interests
9 subject to this chapter is exclusive. Security interests subject to this chapter are
10 hereby exempted from the provisions of law which otherwise require or relate to the
11 filing of instruments creating or evidencing security interests.

12 **SECTION 40.** 344.185 (3) (intro.) of the statutes is amended to read:

13 344.185 (3) (intro.) Notwithstanding ~~ss. 409.501 to 409.507~~ subch. VI of ch. 409
14 and ch. 425:

15 **SECTION 41.** 401.105 (2) (e) of the statutes is repealed and recreated to read:

16 401.105 (2) (e) Sections 409.301 to 409.307 on law governing perfection, the
17 effect of perfection or nonperfection, and the priority of security interests and
18 agricultural liens.

19 **SECTION 42.** 401.201 (9) of the statutes is amended to read:

20 401.201 (9) “Buyer in ordinary course of business” means a person ~~who~~ that
21 buys goods in good faith and, without knowledge that the sale ~~to the person is in~~
22 ~~violation of~~ violates the ownership rights or security interest ~~of a 3rd party of another~~
23 person in the goods ~~buys, and in the~~ ordinary course from a person, other than a
24 pawnbroker, in the business of selling goods of that kind ~~but does not include a~~
25 ~~pawnbroker. All persons who sell minerals or the like (including oil and gas) at~~

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1 ~~wellhead or minehead shall be deemed to be persons. A person buys goods in the~~
2 ~~ordinary course if the sale to the person comports with the usual or customary~~
3 ~~practices in the kind of business in which the seller is engaged or with the seller's own~~
4 ~~usual or customary practices. A person that sells oil, gas, or other minerals at the~~
5 ~~wellhead or minehead is a person in the business of selling goods of that kind.~~
6 ~~"Buying" A buyer in ordinary course of business may be buy for cash or, by exchange~~
7 ~~of other property, or on secured or unsecured credit, and includes receiving may~~
8 ~~acquire goods or documents of title under a preexisting contract for sale but does not~~
9 ~~include a transfer in bulk or as security for or in total or partial satisfaction of a~~
10 ~~money debt. Only a buyer that takes possession of the goods or has a right to recover~~
11 ~~the goods from the seller under ch. 402 may be a buyer in ordinary course of business.~~
12 ~~A person that acquires goods in a transfer in bulk or as security for or in total or~~
13 ~~partial satisfaction of a money debt is not a buyer in ordinary course of business.~~

14 **SECTION 43.** 401.201 (32) of the statutes is amended to read:

15 401.201 (32) "Purchase" includes taking by sale, discount, negotiation,
16 mortgage, pledge, lien, security interest, issue or reissue, gift or any other voluntary
17 transaction creating an interest in property.

18 **SECTION 44.** 401.201 (37) (a) of the statutes is amended to read:

19 401.201 (37) (a) "Security interest" means an interest in personal property or
20 fixtures that which secures payment or performance of an obligation. ~~The retention~~
21 ~~or reservation of title by a seller of goods notwithstanding shipment or delivery to the~~
22 ~~buyer is limited in effect to a reservation of a "security interest".~~ The term also
23 includes any interest of a consignor and a buyer of accounts or, chattel paper, a
24 payment intangible, or a promissory note in a transaction that is subject to ch. 409.
25 The special property interest of a buyer of goods on identification of ~~such~~ those goods

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1 to a contract for sale under s. 402.401 is not a “security interest”, but a buyer may
2 also acquire a “security interest” by complying with ch. 409. ~~Unless a lease or~~
3 ~~consignment is intended as security, reservation of title thereunder is not a “security~~
4 ~~interest” but a consignment is in any event subject to s. 402.326~~ Except as otherwise
5 provided in s. 402.505, the right of a seller or lessor of goods under ch. 402 or 411 to
6 retain or acquire possession of the goods is not a security interest, but a seller or
7 lessor may also acquire a security interest by complying with ch. 409. The retention
8 or reservation of title by a seller of goods notwithstanding shipment or delivery to the
9 buyer under s. 402.401 is limited in effect to a reservation of a security interest.

10 **SECTION 45.** 402.103 (3) (d) of the statutes is amended to read:

11 402.103 (3) (d) “Consumer goods” — s. ~~409.109~~ 409.102.

12 **SECTION 46.** 402.210 (3) of the statutes is renumbered 402.210 (4).

13 **SECTION 47.** 402.210 (3) of the statutes is created to read:

14 402.210 (3) The creation, attachment, perfection, or enforcement of a security
15 interest in the seller’s interest under a contract is not a transfer that materially
16 changes the duty of or increases materially the burden or risk imposed on the buyer
17 or impairs materially the buyer’s chance of obtaining return performance within the
18 purview of sub. (2) unless, and then only to the extent that, enforcement actually
19 results in a delegation of material performance of the seller. Even in that event, the
20 creation, attachment, perfection, and enforcement of the security interest remain
21 effective, but:

22 (a) The seller is liable to the buyer for damages caused by the delegation to the
23 extent that the damages could not reasonably be prevented by the buyer; and

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1 (b) A court having jurisdiction may grant other appropriate relief, including
2 cancellation of the contract for sale or an injunction against enforcement of the
3 security interest or consummation of the enforcement.

4 **SECTION 48.** 402.210 (4) of the statutes is renumbered 402.210 (5).

5 **SECTION 49.** 402.210 (5) of the statutes is renumbered 402.210 (6).

6 **SECTION 50.** 402.326 (title) of the statutes is amended to read:

7 **402.326 (title) Sale on approval and sale or return; consignment sales**
8 **and rights of creditors.**

9 **SECTION 51.** 402.326 (2) of the statutes is amended to read:

10 **402.326 (2)** ~~Except as provided in sub. (3),~~ goods Goods held on approval are
11 not subject to the claims of the buyer's creditors until acceptance; goods held on sale
12 or return are subject to such claims while in the buyer's possession.

13 **SECTION 52.** 402.326 (3) of the statutes is repealed.

14 **SECTION 53.** 402.502 (title) of the statutes is amended to read:

15 **402.502 (title) Buyer's right to goods on seller's repudiation, failure to**
16 **deliver, or insolvency.**

17 **SECTION 54.** 402.502 (1) of the statutes is renumbered 402.502 (1) (intro.) and
18 amended to read:

19 402.502 (1) (intro.) Subject to sub. subs. (2) and (3) and even though the goods
20 have not been shipped a buyer who has paid a part or all of the price of goods in which
21 the buyer has a special property under s. 402.501 may on making and keeping good
22 a tender of any unpaid portion of their price recover them from the seller if:

23 (b) In all cases, the seller becomes insolvent within 10 days after receipt of the
24 first instalment installment on their price.

25 **SECTION 55.** 402.502 (1) (a) of the statutes is created to read:

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1 402.502 (1) (a) In the case of goods bought for personal, family, or household
2 purposes, the seller repudiates or fails to deliver as required by the contract; or

3 **SECTION 56.** 402.502 (2) of the statutes is renumbered 402.502 (3).

4 **SECTION 57.** 402.502 (2) of the statutes is created to read:

5 402.502 (2) The buyer's right to recover the goods under sub. (1) (a) vests upon
6 acquisition of a special property, even if the seller had not then repudiated or failed
7 to deliver.

8 **SECTION 58.** 402.716 (3) of the statutes is amended to read:

9 402.716 (3) The buyer has a right of replevin for goods identified to the contract
10 if after reasonable effort the buyer is unable to effect cover for such goods or the
11 circumstances reasonably indicate that such effort will be unavailing or if the goods
12 have been shipped under reservation and satisfaction of the security interest in them
13 has been made or tendered. In the case of goods bought for personal, family, or
14 household purposes, the buyer's right of replevin vests upon acquisition of a special
15 property, even if the seller had not then repudiated or failed to deliver.

16 **SECTION 59.** 405.118 of the statutes is created to read:

17 **405.118 Security interest of issuer or nominated person.** (1) An issuer
18 or nominated person has a security interest in a document presented under a letter
19 of credit to the extent that the issuer or nominated person honors or gives value for
20 the presentation.

21 (2) So long as and to the extent that an issuer or nominated person has not been
22 reimbursed or has not otherwise recovered the value given with respect to a security
23 interest in a document under sub. (1), the security interest continues and is subject
24 to ch. 409, but:

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1 (a) A security agreement is not necessary to make the security interest
2 enforceable under s. 409.203 (2) (c);

3 (b) If the document is presented in a medium other than a written or other
4 tangible medium, the security interest is perfected; and

5 (c) If the document is presented in a written or other tangible medium and is
6 not a certificated security, chattel paper, a document of title, an instrument, or a
7 letter of credit, the security interest is perfected and has priority over a conflicting
8 security interest in the document so long as the debtor does not have possession of
9 the document.

10 **SECTION 60.** 406.102 (1) of the statutes is amended to read:

11 406.102 (1) A “bulk transfer” is any transfer in bulk and not in the ordinary
12 course of the transferor’s business of a major part in value of the inventory (~~s.~~
13 ~~409.109~~), as defined in s. 409.102 (1) (Ls), of an enterprise subject to this chapter.

14 **SECTION 61.** 406.102 (2) of the statutes is amended to read:

15 406.102 (2) A transfer of a substantial part of the equipment (~~s. 409.109~~), as
16 defined in s. 409.102 (1) (i), of such an enterprise is a bulk transfer if it is made in
17 connection with a bulk transfer of inventory, but not otherwise.

18 **SECTION 62.** 407.503 (1) (a) of the statutes is amended to read:

19 407.503 (1) (a) Delivered or entrusted them or any document of title covering
20 them to the bailor or the bailor’s nominee with actual or apparent authority to ship,
21 store, or sell or with power to obtain delivery under s. 407.403 or with power of
22 disposition under ~~ss. s. 402.403 or 409.307~~ 409.320 or other statute or rule of law; nor

23 **SECTION 63.** 408.103 (6) of the statutes is amended to read:

24 408.103 (6) A commodity contract, as defined in s. 409.115 (1) (b) 409.102 (1)
25 (dm), is not a security or a financial asset.

BILL**SECTION 64**

1 **SECTION 64.** 408.106 (4) (a) and (b) of the statutes are amended to read:

2 408.106 (4) (a) The purchaser becomes the entitlement holder; ~~or~~

3 (b) The securities intermediary has agreed that it will comply with entitlement
4 orders originated by the purchaser without further consent by the entitlement
5 holder; or

6 **SECTION 65.** 408.106 (4) (c) of the statutes is created to read:

7 408.106 (4) (c) Another person has control of the security entitlement on behalf
8 of the purchaser or, having previously acquired control of the security entitlement,
9 acknowledges that it has control on behalf of the purchaser.

10 **SECTION 66.** 408.106 (6) of the statutes is amended to read:

11 408.106 (6) A purchaser who has satisfied the requirements of sub. (3) ~~(b)~~ or
12 (4) ~~(b)~~ has control even if the registered owner in the case of sub. (3) ~~(b)~~ or the
13 entitlement holder in the case of sub. (4) ~~(b)~~ retains the right to make substitutions
14 for the uncertificated security or security entitlement, to originate instructions or
15 entitlement orders to the issuer or securities intermediary, or otherwise to deal with
16 the uncertificated security or security entitlement.

17 **SECTION 67.** 408.110 (5) (a) of the statutes is amended to read:

18 408.110 (5) (a) If an agreement between the securities intermediary and its
19 entitlement holder ~~specifies that it is governed by the law of a particular jurisdiction~~
20 governing the securities account expressly provides that a particular jurisdiction is
21 the securities intermediary's jurisdiction for purposes of this subchapter, this
22 chapter, or chs. 401 to 411, that jurisdiction is the securities intermediary's
23 jurisdiction.

24 **SECTION 68.** 408.110 (5) (b) of the statutes is renumbered 408.110 (5) (c) and
25 amended to read:

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1 408.110 (5) (c) If neither par. (a) nor par. (b) applies and an agreement between
2 the securities intermediary and its entitlement holder does not specify the governing
3 law as provided in par. (a), but governing the securities account expressly specifies
4 provides that the securities account is maintained at an office in a particular
5 jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

6 **SECTION 69.** 408.110 (5) (b) of the statutes is created to read:

7 408.110 (5) (b) If par. (a) does not apply and an agreement between the
8 securities intermediary and its entitlement holder governing the securities account
9 expressly provides that the agreement is governed by the law of a particular
10 jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

11 **SECTION 70.** 408.110 (5) (c) of the statutes is renumbered 408.110 (5) (d) and
12 amended to read:

13 408.110 (5) (d) ~~If an agreement between the securities intermediary and its~~
14 ~~entitlement holder does not specify a jurisdiction as provided in par. (a) or (b) none~~
15 ~~of pars. (a) to (c) applies~~, the securities intermediary's jurisdiction is the jurisdiction
16 in which is located the office, identified in an account statement as the office serving
17 the entitlement holder's account, is located.

18 **SECTION 71.** 408.110 (5) (d) of the statutes is renumbered 408.110 (5) (e) and
19 amended to read:

20 408.110 (5) (e) ~~If an agreement between the securities intermediary and its~~
21 ~~entitlement holder does not specify a jurisdiction as provided in par. (a) or (b) and an~~
22 ~~account statement does not identify an office serving the entitlement holder's~~
23 ~~account as provided in par. (c) none of pars. (a) to (d) applies~~, the securities
24 intermediary's jurisdiction is the jurisdiction in which is located the chief executive
25 office of the securities intermediary is located.

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1 **SECTION 72.** 408.301 (1) (c) of the statutes is renumbered 408.301 (1) (c) (intro.)
2 and amended to read:

3 408.301 (1) (c) (intro.) A securities intermediary acting on behalf of the
4 purchaser acquires possession of the security certificate, only if the certificate is in
5 registered form and ~~has been specially is:~~

6 3. Specially endorsed to the purchaser by an effective endorsement and has not
7 been endorsed to the securities intermediary or in blank.

8 **SECTION 73.** 408.301 (1) (c) 1. and 2. of the statutes are created to read:

9 408.301 (1) (c) 1. Registered in the name of the purchaser;

10 2. Payable to the order of the purchaser; or

11 **SECTION 74.** 408.302 (1) of the statutes is amended to read:

12 408.302 (1) Except as otherwise provided in subs. (2) and (3), ~~upon delivery a~~
13 ~~purchaser~~ of a certificated or uncertificated security ~~to a purchaser, the purchaser~~
14 acquires all rights in the security that the transferor had or had power to transfer.

15 **SECTION 75.** 408.510 (1) of the statutes is amended to read:

16 408.510 (1) ~~An~~ In a case not covered by the priority rules in ch. 409 or the rules
17 stated in sub. (3), an action based on an adverse claim to a financial asset or security
18 entitlement, whether framed in conversion, replevin, constructive trust, equitable
19 lien, or other theory, may not be asserted against a person who purchases a security
20 entitlement, or an interest therein, from an entitlement holder if the purchaser gives
21 value, does not have notice of the adverse claim, and obtains control.

22 **SECTION 76.** 408.510 (3) of the statutes is renumbered 408.510 (3) (intro.) and
23 amended to read:

24 408.510 (3) (intro.) In a case not covered by the priority rules in ch. 409, a
25 purchaser for value of a security entitlement, or an interest therein, who obtains

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1 control has priority over a purchaser of a security entitlement, or an interest therein,
2 who does not obtain control. ~~Purchasers~~ Except as otherwise provided in sub. (4),
3 purchasers who have control rank equally, ~~except that a~~ according to priority in time
4 of:

5 (4) A securities intermediary as purchaser has priority over a conflicting
6 purchaser who has control unless otherwise agreed by the securities intermediary.

7 **SECTION 77.** 408.510 (3) (a) to (c) of the statutes are created to read:

8 408.510 (3) (a) The purchaser's becoming the person for whom the securities
9 account, in which the security entitlement is carried, is maintained, if the purchaser
10 obtained control under s. 408.106 (4) (a);

11 (b) The securities intermediary's agreement to comply with the purchaser's
12 entitlement orders with respect to security entitlements carried or to be carried in
13 the securities account in which the security entitlement is carried, if the purchaser
14 obtained control under s. 408.106 (4) (b); or

15 (c) If the purchaser obtained control through another person under s. 408.106
16 (4) (c), the time on which priority would be based under this subsection if the other
17 person were the secured party.

18 **SECTION 78.** Chapter 409 of the statutes is repealed and recreated to read:

CHAPTER 409**UNIFORM COMMERCIAL CODE —****SECURED TRANSACTIONS****SUBCHAPTER I****GENERAL PROVISIONS**

24 **409.101 Short title.** This chapter may be cited as uniform commercial code
25 — secured transactions.

BILL**409.102 Definitions and index of definitions. (1) CHAPTER 409 DEFINITIONS.**

In this chapter:

(a) “Accession” means goods that are physically united with other goods in such a manner that the identity of the original goods is not lost.

(ag) “Account”, except as used in “account for”, means a right to payment of a monetary obligation, whether or not earned by performance; for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of; for services rendered or to be rendered; for a policy of insurance issued or to be issued; for a secondary obligation incurred or to be incurred; for energy provided or to be provided; for the use or hire of a vessel under a charter or other contract; arising out of the use of a credit or charge card or information contained on or for use with the card; or as winnings in a lottery or other game of chance operated or sponsored by a state, governmental unit of a state, or person licensed or authorized to operate the game by a state or governmental unit of a state. The term includes health-care-insurance receivables. The term does not include rights to payment evidenced by chattel paper or an instrument; commercial tort claims; deposit accounts; investment property; letter-of-credit rights or letters of credit; or rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or charge card or information contained on or for use with the card.

(am) “Account debtor” means a person obligated on an account, chattel paper, or general intangible. The term does not include persons obligated to pay a negotiable instrument, even if the instrument constitutes part of chattel paper.

(as) “Accounting”, except as used in “accounting for”, means a record:

1. Authenticated by a secured party;

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1 2. Indicating the aggregate unpaid secured obligations as of a date not more
2 than 35 days earlier or 35 days later than the date of the record; and

3 3. Identifying the components of the obligations in reasonable detail.

4 (b) “Agricultural lien” means an interest, other than a security interest, in farm
5 products:

6 1. Which secures payment or performance of an obligation for:

7 a. Goods or services furnished in connection with a debtor’s farming operation;

8 or

9 b. Rent on real property leased by a debtor in connection with its farming
10 operation;

11 2. Which is created by statute in favor of a person that:

12 a. In the ordinary course of its business furnished goods or services to a debtor
13 in connection with a debtor’s farming operation; or

14 b. Leased real property to a debtor in connection with the debtor’s farming
15 operation; and

16 3. Whose effectiveness does not depend on the person’s possession of the
17 personal property.

18 (bcm) “Applicant” means a person at whose request or for whose account a
19 letter of credit is issued. The term includes a person who requests an issuer to issue
20 a letter of credit on behalf of another if the person making the request undertakes
21 an obligation to reimburse the issuer.

22 (bg) “As-extracted collateral” means:

23 1. Oil, gas, or other minerals that are subject to a security interest that is
24 created by a debtor having an interest in the minerals before extraction and which
25 attaches to the minerals as extracted; or

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1 2. Accounts arising out of the sale at the wellhead or minehead of oil, gas, or
2 other minerals in which the debtor had an interest before extraction.

3 (bm) “Authenticate” means:

4 1. To sign; or

5 2. To execute or otherwise adopt a symbol, or encrypt or similarly process a
6 record in whole or in part, with the present intent of the authenticating person to
7 identify the person and adopt or accept a record.

8 (bs) “Bank” means an organization that is engaged in the business of banking.
9 The term includes savings banks, savings and loan associations, credit unions, and
10 trust companies.

11 (btm) “Beneficiary” means a person who under the terms of a letter of credit is
12 entitled to have its complying presentation honored. The term includes a person to
13 whom drawing rights have been transferred under a transferable letter of credit.

14 (c) “Cash proceeds” means proceeds that are money, checks, deposit accounts,
15 or the like.

16 (cg) “Certificate of title” means a certificate of title with respect to which a
17 statute provides for the security interest in question to be indicated on the certificate
18 as a condition or result of the security interest’s obtaining priority over the rights of
19 a lien creditor with respect to the collateral.

20 (cm) “Chattel paper” means a record or records that evidence both a monetary
21 obligation and a security interest in specific goods, a security interest in specific
22 goods and software used in the goods, a security interest in specific goods and license
23 of software used in the goods, a lease of specific goods, or a lease of specific goods and
24 license of software used in the goods. The term does not include charters or other
25 contracts involving the use or hire of a vessel. The term does not include records that

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1 evidence a right to payment arising out of the use of a credit or charge card or
2 information contained on or for use with the card. If a transaction is evidenced by
3 records that include an instrument or series of instruments, the group of records
4 taken together constitutes chattel paper. In this paragraph, “monetary obligation”
5 means a monetary obligation secured by the goods or owned under a lease of the
6 goods and includes a monetary obligation with respect to software used in the goods.

7 (cs) “Collateral” means the property subject to a security interest or
8 agricultural lien. The term includes:

- 9 1. Proceeds to which a security interest attaches;
- 10 2. Accounts, chattel paper, payment intangibles, and promissory notes that
11 have been sold; and
- 12 3. Goods that are the subject of a consignment.

13 (d) “Commercial tort claim” means a claim arising in tort with respect to which:

- 14 1. The claimant is an organization; or
- 15 2. The claimant is an individual and the claim:
 - 16 a. Arose in the course of the claimant’s business or profession; and
 - 17 b. Does not include damages arising out of personal injury to or the death of
18 an individual.

19 (dg) “Commodity account” means an account maintained by a commodity
20 intermediary in which a commodity contract is carried for a commodity customer.

21 (dm) “Commodity contract” means a commodity futures contract, an option on
22 a commodity futures contract, a commodity option, or another contract if the contract
23 or option is:

- 24 1. Traded on or subject to the rules of a board of trade that has been designated
25 as a contract market for such a contract pursuant to federal commodities laws; or

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1 2. Traded on a foreign commodity board of trade, exchange, or market, and is
2 carried on the books of a commodity intermediary for a commodity customer.

3 (ds) “Commodity customer” means a person for which a commodity
4 intermediary carries a commodity contract on its books.

5 (e) “Commodity intermediary” means a person that:

6 1. Is registered as a futures commission merchant under federal commodities
7 law; or

8 2. In the ordinary course of its business provides clearance or settlement
9 services for a board of trade that has been designated as a contract market pursuant
10 to federal commodities law.

11 (eg) “Communicate” means:

12 1. To send a written or other tangible record;

13 2. To transmit a record by any means agreed upon by the persons sending and
14 receiving the record; or

15 3. In the case of transmission of a record to or by a filing office, to transmit a
16 record by any means prescribed by filing-office rule.

17 (em) “Consignee” means a merchant to which goods are delivered in a
18 consignment.

19 (es) “Consignment” means a transaction, regardless of its form, in which a
20 person delivers goods to a merchant for the purpose of sale and:

21 1. The merchant:

22 a. Deals in goods of that kind under a name other than the name of the person
23 making delivery;

24 b. Is not an auctioneer; and

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1 c. Is not generally known by its creditors to be substantially engaged in selling
2 the goods of others;

3 2. With respect to each delivery, the aggregate value of the goods is \$1,000 or
4 more at the time of delivery;

5 3. The goods are not consumer goods immediately before delivery; and

6 4. The transaction does not create a security interest that secures an obligation.

7 (f) “Consignor” means a person that delivers goods to a consignee in a
8 consignment.

9 (fg) “Consumer debtor” means a debtor in a consumer transaction.

10 (fm) “Consumer goods” means goods that are used or bought for use primarily
11 for personal, family, or household purposes.

12 (fs) “Consumer-goods transaction” means a consumer transaction in which:

13 1. An individual incurs an obligation primarily for personal, family, or
14 household purposes; and

15 2. A security interest in consumer goods secures the obligation.

16 (g) “Consumer obligor” means an obligor who is an individual and who incurred
17 the obligation as part of a transaction entered into primarily for personal, family, or
18 household purposes.

19 (gg) “Consumer transaction” means a transaction in which an individual incurs
20 an obligation primarily for personal, family, or household purposes; a security
21 interest secures the obligation; and the collateral is held or acquired primarily for
22 personal, family, or household purposes. The term includes consumer-goods
23 transactions.

24 (gm) “Continuation statement” means an amendment of a financing statement
25 which:

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1 1. Identifies, by its file number, the initial financing statement to which it
2 relates; and

3 2. Indicates that it is a continuation statement for, or that it is filed to continue
4 the effectiveness of, the identified financing statement.

5 (gs) “Debtor” means:

6 1. A person having an interest, other than a security interest or other lien, in
7 the collateral, whether or not the person is an obligor;

8 2. A seller of accounts, chattel paper, payment intangibles, or promissory notes;
9 or

10 3. A consignee.

11 (h) “Deposit account” means a demand, time, savings, passbook, or similar
12 account maintained with a bank. The term does not include investment property or
13 accounts evidenced by an instrument.

14 (hg) “Document” means a document of title or a receipt of the type described
15 in s. 407.201 (2).

16 (hm) “Electronic chattel paper” means chattel paper evidenced by a record or
17 records consisting of information stored in an electronic medium.

18 (hs) “Encumbrance” means a right, other than an ownership interest, in real
19 property. The term includes mortgages and other liens on real property.

20 (i) “Equipment” means goods other than inventory, farm products, or consumer
21 goods.

22 (ig) “Farm products” means goods, other than standing timber, with respect to
23 which the debtor is engaged in a farming operation and which are:

24 1. Crops grown, growing, or to be grown, including:

25 a. Crops produced on trees, vines, and bushes; and

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1 b. Aquatic goods produced in aquacultural operations;

2 2. Livestock, born or unborn, including aquatic goods produced in aquacultural
3 operations;

4 3. Supplies used or produced in a farming operation; or

5 4. Products of crops or livestock in their unmanufactured states.

6 (im) “Farming operation” means raising, cultivating, propagating, fattening,
7 grazing, or any other farming, livestock, or aquacultural operation.

8 (is) “File number” means the number assigned to an initial financing statement
9 pursuant to s. 409.519 (1).

10 (j) “Filing office” means an office designated in s. 409.501 as the place to file a
11 financing statement.

12 (jg) “Filing-office rule” means a rule promulgated pursuant to s. 409.526.

13 (jm) “Financing statement” means a record or records composed of an initial
14 financing statement and any filed record relating to the initial financing statement.

15 (js) “Fixture filing” means the filing of a financing statement covering goods
16 that are or are to become fixtures and satisfying s. 409.502 (1) and (2). The term
17 includes the filing of a financing statement covering goods of a transmitting utility
18 which are or are to become fixtures.

19 (k) “Fixtures” means goods that have become so related to particular real
20 property that an interest in them arises under real property law.

21 (kg) “General intangible” means any personal property, including things in
22 action, other than accounts, chattel paper, commercial tort claims, deposit accounts,
23 documents, goods, instruments, investment property, letter-of-credit rights, letters
24 of credit, money, and oil, gas, or other minerals before extraction. The term includes
25 payment intangibles and software.

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1 (km) “Good faith” means honesty in fact and the observance of reasonable
2 commercial standards of fair dealing.

3 (ks) “Goods” means all things that are movable when a security interest
4 attaches. The term includes fixtures; standing timber that is to be cut and removed
5 under a conveyance or contract for sale; the unborn young of animals; crops grown,
6 growing, or to be grown, even if the crops are produced on trees, vines, or bushes; and
7 manufactured homes. The term also includes a computer program embedded in
8 goods and any supporting information provided in connection with a transaction
9 relating to the program if the program is associated with the goods in such a manner
10 that it customarily is considered part of the goods, or by becoming the owner of the
11 goods, a person acquires a right to use the program in connection with the goods. The
12 term does not include a computer program embedded in goods that consist solely of
13 the medium in which the program is embedded. The term also does not include
14 accounts, chattel paper, commercial tort claims, deposit accounts, documents,
15 general intangibles, instruments, investment property, letter-of-credit rights,
16 letters of credit, money, or oil, gas, or other minerals before extraction.

17 (L) “Governmental unit” means a subdivision, agency, department, county,
18 parish, municipality, or other unit of the government of the United States, a state,
19 or a foreign country. The term includes an organization having a separate corporate
20 existence if the organization is eligible to issue debt on which interest is exempt from
21 income taxation under the laws of the United States.

22 (Lg) “Health-care-insurance receivable” means an interest in or claim under
23 a policy of insurance which is a right to payment of a monetary obligation for
24 health-care goods or services provided.

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1 (Lm) "Instrument" means a negotiable instrument or any other writing that
2 evidences a right to the payment of a monetary obligation, is not itself a security
3 agreement or lease, and is of a type that in ordinary course of business is transferred
4 by delivery with any necessary endorsement or assignment. The term does not
5 include investment property; letters of credit; or writings that evidence a right to
6 payment arising out of the use of a credit or charge card or information contained on
7 or for use with the card.

8 (Ls) "Inventory" means goods, other than farm products, which:

- 9 1. Are leased by a person as lessor;
- 10 2. Are held by a person for sale or lease or to be furnished under a contract of
11 service;
- 12 3. Are furnished by a person under a contract of service; or
- 13 4. Consist of raw materials, work in process, or materials used or consumed in
14 a business.

15 (m) "Investment property" means a security, whether certificated or
16 uncertificated, security entitlement, securities account, commodity contract, or
17 commodity account.

18 (mcm) "Issuer" means a bank or other person that issues a letter of credit, but
19 does not include an individual who makes an engagement for personal, family, or
20 household purposes.

21 (mg) "Jurisdiction of organization", with respect to a registered organization,
22 means the jurisdiction under whose law the organization is organized.

23 (mkm) "Letter of credit" means a definite undertaking that satisfies the
24 requirements of s. 405.104 by an issuer to a beneficiary at the request or for the
25 account of an applicant or, in the case of a financial institution, to itself or for its own

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1 account, to honor a documentary presentation by payment or delivery of an item of
2 value.

3 (mm) “Letter-of-credit right” means a right to payment or performance under
4 a letter of credit, whether or not the beneficiary has demanded or is at the time
5 entitled to demand payment or performance. The term does not include the right of
6 a beneficiary to demand payment or performance under a letter of credit.

7 (ms) “Lien creditor” means:

- 8 1. A creditor that has acquired a lien on the property involved by attachment,
9 levy, or the like;
- 10 2. An assignee for benefit of creditors from the time of assignment;
- 11 3. A trustee in bankruptcy from the date of the filing of the petition; or
- 12 4. A receiver in equity from the time of appointment.

13 (n) “Manufactured home” means a structure, transportable in one or more
14 sections, which, in the traveling mode, is 8 body feet or more in width or 40 body feet
15 or more in length, or, when erected on site, is 320 or more square feet, and which is
16 built on a permanent chassis and designed to be used as a dwelling with or without
17 a permanent foundation when connected to the required utilities, and includes the
18 plumbing, heating, air-conditioning, and electrical systems contained therein. The
19 term includes any structure that meets all of the requirements of this paragraph
20 except the size requirements and with respect to which the manufacturer voluntarily
21 files a certification required by the U.S. secretary of housing and urban development
22 and complies with the standards established under title 42 of the U.S. code.

23 (ng) “Manufactured-home transaction” means a secured transaction:

- 24 1. That creates a purchase-money security interest in a manufactured home,
25 other than a manufactured home held as inventory; or

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1 2. In which a manufactured home, other than a manufactured home held as
2 inventory, is the primary collateral.

3 (nm) “Mortgage” means a consensual interest in real property, including
4 fixtures, which secures payment or performance of an obligation.

5 (ns) “New debtor” means a person that becomes bound as debtor under s.
6 409.203 (4) by a security agreement previously entered into by another person.

7 (o) “New value” means money; money’s worth in property, services, or new
8 credit; or release by a transferee of an interest in property previously transferred to
9 the transferee. The term does not include an obligation substituted for another
10 obligation.

11 (odm) “Nominated person” means a person whom the issuer:

12 1. Designates or authorizes to pay, accept, negotiate, or otherwise give value
13 under a letter of credit; and

14 2. Undertakes by agreement or custom and practice to reimburse.

15 (og) “Noncash proceeds” means proceeds other than cash proceeds.

16 (om) “Obligor” means a person that, with respect to an obligation secured by
17 a security interest in or an agricultural lien on the collateral, owes payment or other
18 performance of the obligation; has provided property other than the collateral to
19 secure payment or other performance of the obligation; or is otherwise accountable
20 in whole or in part for payment or other performance of the obligation. The term does
21 not include issuers or nominated persons under a letter of credit.

22 (os) “Original debtor”, except as used in s. 409.310 (3), means a person that, as
23 debtor, entered into a security agreement to which a new debtor has become bound
24 under s. 409.203 (4).

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1 (p) "Payment intangible" means a general intangible under which the account
2 debtor's principal obligation is a monetary obligation.

3 (pg) "Person related to", with respect to an individual, means:

4 1. The spouse of the individual;

5 2. A brother, brother-in-law, sister, or sister-in-law of the individual;

6 3. An ancestor or lineal descendant of the individual or the individual's spouse;

7 or

8 4. Any other relative, by blood or marriage, of the individual or the individual's
9 spouse who shares the same home with the individual.

10 (pm) "Person related to", with respect to an organization, means:

11 1. A person directly or indirectly controlling, controlled by, or under common
12 control with the organization;

13 2. An officer or director of, or a person performing similar functions with respect
14 to, the organization;

15 3. An officer or director of, or a person performing similar functions with respect
16 to, a person described in subd. 1.;

17 4. The spouse of an individual described in subd. 1., 2., or 3.; or

18 5. An individual who is related by blood or marriage to an individual described
19 in subd. 1., 2., 3., or 4. and shares the same home with the individual.

20 (ps) "Proceeds", except as used in s. 409.609 (2), means the following property:

21 1. Whatever is acquired upon the sale, lease, license, exchange, or other
22 disposition of collateral;

23 2. Whatever is collected on, or distributed on account of, collateral;

24 3. Rights arising out of collateral;

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1 4. To the extent of the value of collateral, claims arising out of the loss,
2 nonconformity, or interference with the use of, defects or infringement of rights in,
3 or damage to, the collateral; or

4 5. To the extent of the value of collateral and to the extent payable to the debtor
5 or the secured party, insurance payable by reason of the loss or nonconformity of,
6 defects or infringement of rights in, or damage to, the collateral.

7 (ptm) "Proceeds of a letter of credit" means the cash, check, accepted draft, or
8 other item of value paid or delivered upon honor or giving of value by the issuer or
9 any nominated person under the letter of credit. The term does not include a
10 beneficiary's drawing rights or documents presented by the beneficiary.

11 (pu) "Production-money crops" means crops that secure a production-money
12 obligation incurred with respect to the production of those crops.

13 (pv) "Production-money obligation" means an obligation of an obligor incurred
14 for new value given to enable the debtor to produce crops if the value is in fact used
15 for the production of the crops.

16 (pw) "Production of crops" means the use of seed, fertilizer, or chemicals for
17 growing crops or protecting them from damage or disease.

18 (q) "Promissory note" means an instrument that evidences a promise to pay a
19 monetary obligation, does not evidence an order to pay, and does not contain an
20 acknowledgment by a bank that the bank has received for deposit a sum of money
21 or funds.

22 (qg) "Proposal" means a record authenticated by a secured party which
23 includes the terms on which the secured party is willing to accept collateral in full
24 or partial satisfaction of the obligation it secures pursuant to ss. 409.620, 409.621,
25 and 409.622.

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1 (qm) “Public-finance transaction” means a secured transaction in connection
2 with which:

3 1. Debt securities are issued;

4 2. All or a portion of the securities issued have an initial stated maturity of at
5 least 20 years; and

6 3. The debtor, obligor, secured party, account debtor or other person obligated
7 on collateral, assignor or assignee of a secured obligation, or assignor or assignee of
8 a security interest is a state or a governmental unit of a state.

9 (qs) “Pursuant to commitment”, with respect to an advance made or other value
10 given by a secured party, means pursuant to the secured party’s obligation, whether
11 or not a subsequent event of default or other event not within the secured party’s
12 control has relieved or may relieve the secured party from its obligation.

13 (r) “Record”, except as used in “for record”, “of record”, “record or legal title”, and
14 “record owner”, means information that is inscribed on a tangible medium or which
15 is stored in an electronic or other medium and is retrievable in perceivable form.

16 (rg) “Registered organization” means an organization organized solely under
17 the law of a single state or the United States and as to which the state or the United
18 States must maintain a public record showing the organization to have been
19 organized.

20 (rm) “Secondary obligor” means an obligor to the extent that:

21 1. The obligor’s obligation is secondary; or

22 2. The obligor has a right of recourse with respect to an obligation secured by
23 collateral against the debtor, another obligor, or property of either.

24 (rs) “Secured party” means:

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1 1. A person in whose favor a security interest is created or provided for under
2 a security agreement, whether or not any obligation to be secured is outstanding;

3 2. A person that holds an agricultural lien;

4 3. A consignor;

5 4. A person to which accounts, chattel paper, payment intangibles, or
6 promissory notes have been sold;

7 5. A trustee, indenture trustee, agent, collateral agent, or other representative
8 in whose favor a security interest or agricultural lien is created or provided for; or

9 6. A person that holds a security interest arising under s. 402.401, 402.505,
10 402.711 (3), 404.210, 405.118, or 411.508 (5).

11 (s) “Security agreement” means an agreement that creates or provides for a
12 security interest.

13 (sg) “Send”, in connection with a record or notification, means:

14 1. To deposit in the mail, deliver for transmission, or transmit by any other
15 usual means of communication, with postage or cost of transmission provided for,
16 addressed to any address reasonable under the circumstances; or

17 2. To cause the record or notification to be received within the time that it would
18 have been received if properly sent under subd. 1.

19 (sm) “Software” means a computer program and any supporting information
20 provided in connection with a transaction relating to the program. The term does not
21 include a computer program that is included in the definition of goods.

22 (ss) “State” means a state of the United States, the District of Columbia, Puerto
23 Rico, the United States Virgin Islands, or any territory or insular possession subject
24 to the jurisdiction of the United States.

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1 (t) “Supporting obligation” means a letter-of-credit right or secondary
2 obligation that supports the payment or performance of an account, chattel paper,
3 a document, a general intangible, an instrument, or investment property.

4 (tg) “Tangible chattel paper” means chattel paper evidenced by a record or
5 records consisting of information that is inscribed on a tangible medium.

6 (tm) “Termination statement” means an amendment of a financing statement
7 which:

8 1. Identifies, by its file number, the initial financing statement to which it
9 relates; and

10 2. Indicates either that it is a termination statement or that the identified
11 financing statement is no longer effective.

12 (ts) “Transmitting utility” means a person primarily engaged in the business
13 of:

14 1. Operating a railroad, subway, street railway, or trolley bus;

15 2. Transmitting communications electrically, electromagnetically, or by light;

16 3. Transmitting goods by pipeline or sewer; or

17 4. Transmitting or producing and transmitting electricity, steam, gas, or water.

18 (2) DEFINITIONS IN OTHER CHAPTERS. The following definitions in other chapters
19 apply to this chapter:

20 (b) “Broker” — s. 408.102.

21 (bm) “Certificated security” — s. 408.102.

22 (c) “Check” — s. 403.104.

23 (cm) “Clearing corporation” — s. 408.102.

24 (d) “Contract for sale” — s. 402.106.

25 (dm) “Customer” — s. 404.104.

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- 1 (e) "Entitlement holder" — s. 408.102.
- 2 (em) "Financial asset" — s. 408.102.
- 3 (f) "Holder in due course" — s. 403.302.
- 4 (g) "Issuer" (with respect to a security) — s. 408.201.
- 5 (gm) "Lease" — s. 411.103.
- 6 (h) "Lease agreement" — s. 411.103.
- 7 (hm) "Lease contract" — s. 411.103.
- 8 (i) "Leasehold interest" — s. 411.103.
- 9 (im) "Lessee" — s. 411.103.
- 10 (j) "Lessee in ordinary course of business" — s. 411.103.
- 11 (jm) "Lessor" — s. 411.103.
- 12 (k) "Lessor's residual interest" — s. 411.103.
- 13 (L) "Merchant" — s. 402.104.
- 14 (Lm) "Negotiable instrument" — s. 403.104.
- 15 (mm) "Note" — s. 403.104.
- 16 (nm) "Prove" — s. 403.103.
- 17 (o) "Sale" — s. 402.106.
- 18 (om) "Securities account" — s. 408.501.
- 19 (p) "Securities intermediary" — s. 408.102.
- 20 (pm) "Security" — s. 408.102.
- 21 (q) "Security certificate" — s. 408.102.
- 22 (qm) "Security entitlement" — s. 408.102.
- 23 (r) "Uncertificated security" — s. 408.102.

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1 (3) CHAPTER 401 DEFINITIONS AND PRINCIPLES. Chapter 401 contains general
2 definitions and principles of construction and interpretation applicable throughout
3 this chapter.

4 **409.103 Purchase-money security interest; application of payments;**
5 **burden of establishing. (1) DEFINITIONS.** In this section:

6 (a) “Purchase-money collateral” means goods or software that secures a
7 purchase-money obligation incurred with respect to that collateral.

8 (b) “Purchase-money obligation” means an obligation of an obligor incurred as
9 all or part of the price of the collateral or for value given to enable the debtor to
10 acquire rights in or the use of the collateral if the value is in fact so used.

11 (2) PURCHASE-MONEY SECURITY INTEREST IN GOODS. A security interest in goods
12 is a purchase-money security interest:

13 (a) To the extent that the goods are purchase-money collateral with respect to
14 that security interest;

15 (b) If the security interest is in inventory that is or was purchase-money
16 collateral, also to the extent that the security interest secures a purchase-money
17 obligation incurred with respect to other inventory in which the secured party holds
18 or held a purchase-money security interest; and

19 (c) Also to the extent that the security interest secures a purchase-money
20 obligation incurred with respect to software in which the secured party holds or held
21 a purchase-money security interest.

22 (3) PURCHASE-MONEY SECURITY INTEREST IN SOFTWARE. A security interest in
23 software is a purchase-money security interest to the extent that the security
24 interest also secures a purchase-money obligation incurred with respect to goods in
25 which the secured party holds or held a purchase-money security interest if:

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1 (a) The debtor acquired its interest in the software in an integrated transaction
2 in which it acquired an interest in the goods; and

3 (b) The debtor acquired its interest in the software for the principal purpose
4 of using the software in the goods.

5 (4) ~~CONSIGNOR'S INVENTORY PURCHASE-MONEY SECURITY INTEREST.~~ The security
6 interest of a consignor in goods that are the subject of a consignment is a
7 purchase-money security interest in inventory.

8 (5) ~~APPLICATION OF PAYMENT. If the extent to which a~~ security interest is a
9 purchase-money security interest depends on the application of a payment to a
10 particular obligation, the payment must be applied:

11 (a) In accordance with any reasonable method of application to which the
12 parties agree;

13 (b) In the absence of the parties' agreement to a reasonable method, in
14 accordance with any intention of the obligor manifested at or before the time of
15 payment; or

16 (c) In the absence of an agreement to a reasonable method and a timely
17 manifestation of the obligor's intention, in the following order:

- 18 1. To obligations that are not secured; and
19 2. If more than one obligation is secured, to obligations secured by
20 purchase-money security interests in the order in which those obligations were
21 incurred.

22 (6) ~~NO LOSS OF STATUS OF PURCHASE-MONEY SECURITY INTEREST.~~ A
23 purchase-money security interest does not lose its status as such, even if:

24 (a) The purchase-money collateral also secures an obligation that is not a
25 purchase-money obligation;

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48-5 ✓

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1 (b) Collateral that is not purchase-money collateral also secures the
2 purchase-money obligation; or

3 (c) The purchase-money obligation has been renewed, refinanced,
4 consolidated, or restructured.

5 **(7) BURDEN OF PROOF** ~~A secured party claiming a~~ purchase-money security
6 interest has the burden of establishing the extent to which the security interest is
7 a purchase-money security interest.

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8 **409.1035 Production-money crops; production-money obligation;**
9 **production-money security interest; burden of establishing.** (1) A security
10 interest in crops is a production-money security interest to the extent that the crops
11 are production-money crops.

12 (2) If the extent to which a security interest is a production-money security
13 interest depends on the application of a payment to a particular obligation, the
14 payment must be applied in the following order until fully applied:

15 (a) First, to all production-money obligations secured by production-money
16 crops, in the order in which those obligations were incurred;

17 (b) Second, to all obligations secured by conflicting security interests in the
18 production-money crops referred to in par. (a), in the order in which those obligations
19 were incurred; and

20 (c) Third, to all unsecured obligations of the debtor making the payment, in the
21 order in which those obligations were incurred.

22 (3) A production-money security interest does not lose its status as such, even
23 if:

24 (a) The production-money crops also secure an obligation that is not a
25 production-money obligation;

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1 (b) Collateral that is not production–money crops also secures the
2 production–money obligation; or

3 (c) The production–money obligation has been renewed, refinanced, or
4 restructured.

5 (4) A secured party claiming a production–money security interest has the
6 burden of establishing the extent to which the security interest is a
7 production–money security interest.

8 (5) This section does not affect any right to proceeds under s. 409.315.

9 (6) A person may not claim a purchase–money security interest in crops grown,
10 growing, or to be grown.

11 **409.104 Control of deposit account.** (1) REQUIREMENTS FOR CONTROL. A
12 secured party has control of a deposit account if:

13 (a) The secured party is the bank with which the deposit account is maintained;

14 (b) The debtor, secured party, and bank have agreed in an authenticated record
15 that the bank will comply with instructions originated by the secured party directing
16 disposition of the funds in the deposit account without further consent by the debtor;
17 or

18 (c) The secured party becomes the bank’s customer with respect to the deposit
19 account.

20 (2) DEBTOR’S RIGHT TO DIRECT DISPOSITION. A secured party that has satisfied
21 sub. (1) has control, even if the debtor retains the right to direct the disposition of
22 funds from the deposit account.

23 **409.105 Control of electronic chattel paper.** A secured party has control
24 of electronic chattel paper if the record or records comprising the chattel paper are
25 created, stored, and assigned in such a manner that:

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1 (1) A single authoritative copy of the record or records exists which is unique,
2 identifiable and, except as otherwise provided in subs. (4) to (6), unalterable;

3 (2) The authoritative copy identifies the secured party as the assignee of the
4 record or records;

5 (3) The authoritative copy is communicated to and maintained by the secured
6 party or its designated custodian;

7 (4) Copies or revisions that add or change an identified assignee of the
8 authoritative copy can be made only with the participation of the secured party;

9 (5) Each copy of the authoritative copy and any copy of a copy is readily
10 identifiable as a copy that is not the authoritative copy; and

11 (6) Any revision of the authoritative copy is readily identifiable as an
12 authorized or unauthorized revision.

13 **409.106 Control of investment property. (1) CONTROL UNDER S. 408.106.** A
14 person has control of a certificated security, uncertificated security, or security
15 entitlement as provided in s. 408.106.

16 (2) **CONTROL OF COMMODITY CONTRACT.** A secured party has control of a
17 commodity contract if:

18 (a) The secured party is the commodity intermediary with which the
19 commodity contract is carried; or

20 (b) The commodity customer, secured party, and commodity intermediary have
21 agreed that the commodity intermediary will apply any value distributed on account
22 of the commodity contract as directed by the secured party without further consent
23 by the commodity customer.

24 (3) **EFFECT OF CONTROL OF SECURITIES ACCOUNT OR COMMODITY ACCOUNT.** A secured
25 party having control of all security entitlements or commodity contracts carried in

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1 a securities account or commodity account has control over the securities account or
2 commodity account.

3 **409.107 Control of letter-of-credit right.** A secured party has control of
4 a letter-of-credit right to the extent of any right to payment or performance by the
5 issuer or any nominated person if the issuer or nominated person has consented to
6 an assignment of proceeds of the letter of credit under ch. 405 or otherwise applicable
7 law or practice.

8 **409.108 Sufficiency of description. (1) SUFFICIENCY OF DESCRIPTION.** Except
9 as otherwise provided in subs. (3) to (5), a description of personal or real property is
10 sufficient, whether or not it is specific, if it reasonably identifies what is described.

11 **(2) EXAMPLES OF REASONABLE IDENTIFICATION.** Except as otherwise provided in
12 sub. (4), a description of collateral reasonably identifies the collateral if it identifies
13 the collateral by:

14 (a) Specific listing;

15 (b) Category;

16 (c) Except as otherwise provided in sub. (5), a type of collateral defined in chs.
17 401 to 411;

18 (d) Quantity;

19 (e) Computational or allocational formula or procedure; or

20 (f) Except as otherwise provided in sub. (3), any other method, if the identity
21 of the collateral is objectively determinable.

22 **(3) SUPERGENERIC DESCRIPTION NOT SUFFICIENT.** A description of collateral as "all
23 the debtor's assets" or "all the debtor's personal property" or using words of similar
24 import does not reasonably identify the collateral.

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1 (4) INVESTMENT PROPERTY. Except as otherwise provided in sub. (5), a
2 description of a security entitlement, securities account, or commodity account is
3 sufficient if it describes:

4 (a) The collateral by those terms or as investment property; or

5 (b) The underlying financial asset or commodity contract.

6 (5) WHEN DESCRIPTION BY TYPE INSUFFICIENT. A description only by type of
7 collateral defined in chs. 401 to 411 is an insufficient description of:

8 (a) A commercial tort claim; or

9 (b) In a consumer transaction, consumer goods, a security entitlement, a
10 securities account, or a commodity account.

11 **409.109 Scope. (1) GENERAL SCOPE OF CHAPTER.** Except as otherwise provided
12 in subs. (3) and (4), this chapter applies to:

13 (a) A transaction, regardless of its form, that creates a security interest in
14 personal property or fixtures by contract;

15 (b) An agricultural lien;

16 (c) A sale of accounts, chattel paper, payment intangibles, or promissory notes;

17 (d) A consignment;

18 (e) A security interest arising under s. 402.401, 402.505, 402.711 (3), or 411.508
19 (5), as provided in s. 409.110; and

20 (f) A security interest arising under s. 404.210 or 405.118.

21 (2) SECURITY INTEREST IN SECURED OBLIGATION. The application of this chapter
22 to a security interest in a secured obligation is not affected by the fact that the
23 obligation is itself secured by a transaction or interest to which this chapter does not
24 apply.

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1 **(3) EXTENT TO WHICH CHAPTER DOES NOT APPLY.** This chapter does not apply to
2 the extent that:

3 (a) A statute, regulation, or treaty of the United States preempts this chapter;

4 (b) Another statute of this state expressly governs the creation, perfection,
5 priority, or enforcement of a security interest created by this state or a governmental
6 unit of this state;

7 (c) A statute of another state, a foreign country, or a governmental unit of
8 another state or a foreign country, other than a statute generally applicable to
9 security interests, expressly governs creation, perfection, priority, or enforcement of
10 a security interest created by the state, country, or governmental unit; or

11 (d) The rights of a transferee beneficiary or nominated person under a letter
12 of credit are independent and superior under ch.405.

13 **(4) INAPPLICABILITY OF CHAPTER.** This chapter does not apply to:

14 (a) A landlord's lien, other than an agricultural lien;

15 (b) A lien, other than an agricultural lien, given by statute or other rule of law
16 for services or materials, but s. 409.333 applies with respect to priority of the lien;

17 (c) An assignment of a claim for wages, salary, or other compensation of an
18 employee;

19 (cm) An assignment of a claim or right to receive compensation for injuries or
20 sickness under a worker's compensation or worker's disability statute of any state;

21 (d) A sale of accounts, chattel paper, payment intangibles, or promissory notes
22 as part of a sale of the business out of which they arose;

23 (e) An assignment of accounts, chattel paper, payment intangibles, or
24 promissory notes which is for the purpose of collection only;

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1 (f) An assignment of a right to payment under a contract to an assignee that
2 is also obligated to perform under the contract;

3 (g) An assignment of a single account, payment intangible, or promissory note
4 to an assignee in full or partial satisfaction of a preexisting indebtedness;

5 (h) A transfer of an interest in or an assignment of a claim under a policy of
6 insurance, other than an assignment by or to a health-care provider of a
7 health-care-insurance receivable and any subsequent assignment of the right to
8 payment, but ss. 409.315 and 409.322 apply with respect to proceeds and priorities
9 in proceeds;

10 (i) An assignment of a right represented by a judgment, other than a judgment
11 taken on a right to payment that was collateral;

12 (j) A right of recoupment or setoff, but:

13 1. Section 409.340 applies with respect to the effectiveness of rights of
14 recoupment or setoff against deposit accounts; and

15 2. Section 409.404 applies with respect to defenses or claims of an account
16 debtor;

17 (k) The creation or transfer of an interest in or lien on real property, including
18 a lease or rents thereunder, except to the extent that provision is made for:

19 1. Liens on real property in ss. 409.203 and 409.308;

20 2. Fixtures in s. 409.334;

21 3. Fixture filings in ss. 409.501, 409.502, 409.512, 409.516, and 409.519; and

22 4. Security agreements covering personal and real property in s. 409.604;

23 (L) An assignment of a claim arising in tort, other than a commercial tort claim,
24 but ss. 409.315 and 409.322 apply with respect to proceeds and priorities in proceeds;

25 or

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1 (m) An assignment of a deposit account in a consumer transaction, but ss.
2 409.315 and 409.322 apply with respect to proceeds and priorities in proceeds.

3 **409.110 Security interests arising under ch. 402 or 411.** A security
4 interest arising under s. 402.401, 402.505, 402.711 (3), or 411.508 (5) is subject to this
5 chapter. However, until the debtor obtains possession of the goods:

6 (1) The security interest is enforceable, even if s. 409.203 (2) (c) has not been
7 satisfied;

8 (2) Filing is not required to perfect the security interest;

9 (3) The rights of the secured party after default by the debtor are governed by
10 ch. 402 or 411; and

11 (4) The security interest has priority over a conflicting security interest created
12 by the debtor.

SUBCHAPTER II**EFFECTIVENESS OF SECURITY****AGREEMENT; ATTACHMENT OF****SECURITY INTEREST; RIGHTS OF****PARTIES TO SECURITY AGREEMENT**

13
14
15
16
17
18 **409.201 General effectiveness of security agreement.** (1) **GENERAL**
19 **EFFECTIVENESS.** Except as otherwise provided in chs. 401 to 411, a security agreement
20 is effective according to its terms between the parties, against purchasers of the
21 collateral, and against creditors.

22 (2) **APPLICABLE CONSUMER LAWS AND OTHER LAW.** A transaction subject to this
23 chapter is subject to any applicable rule of law which establishes a different rule for
24 consumers and to chs. 138, 421 to 427, and 429 and s. 182.025.

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1 (3) OTHER APPLICABLE LAW CONTROLS. In case of conflict between this chapter
2 and a rule of law, statute, or rule described in sub. (2), the rule of law, statute, or rule
3 controls. Failure to comply with a statute or rule described in sub. (2) has only the
4 effect the statute or rule specifies.

5 (4) FURTHER DEFERENCE TO OTHER APPLICABLE LAW. This chapter does not:

6 (a) Validate any rate, charge, agreement, or practice that violates a rule of law,
7 statute, or rule described in sub. (2); or

8 (b) Extend the application of the rule of law, statute, or rule to a transaction
9 not otherwise subject to the rule of law, statute, or rule.

10 **409.202 Title to collateral immaterial.** Except as otherwise provided with
11 respect to consignments or sales of accounts, chattel paper, payment intangibles, or
12 promissory notes, the provisions of this chapter with regard to rights and obligations
13 apply whether title to collateral is in the secured party or the debtor.

14 **409.203 Attachment and enforceability of security interest; proceeds;
15 supporting obligations; formal requisites.** (1) ATTACHMENT. A security interest
16 attaches to collateral when it becomes enforceable against the debtor with respect
17 to the collateral, unless an agreement expressly postpones the time of attachment.

18 (2) ENFORCEABILITY. Except as otherwise provided in subs. (3) to (9), a security
19 interest is enforceable against the debtor and 3rd parties with respect to the
20 collateral only if:

21 (a) Value has been given;

22 (b) The debtor has rights in the collateral or the power to transfer rights in the
23 collateral to a secured party; and

24 (c) One of the following conditions is met:

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1 1. The debtor has authenticated a security agreement that provides a
2 description of the collateral and, if the security interest covers timber to be cut, a
3 description of the land concerned;

4 2. The collateral is not a certificated security and is in the possession of the
5 secured party under s. 409.313 pursuant to the debtor's security agreement;

6 3. The collateral is a certificated security in registered form and the security
7 certificate has been delivered to the secured party under s. 408.301 pursuant to the
8 debtor's security agreement; or

9 4. The collateral is deposit accounts, electronic chattel paper, investment
10 property, or letter-of-credit rights, and the secured party has control under s.
11 409.104, 409.105, 409.106, or 409.107 pursuant to the debtor's security agreement.

12 **(3) OTHER UNIFORM COMMERCIAL CODE PROVISIONS.** Subsection (2) is subject to s.
13 404.210 on the security interest of a collecting bank, s. 405.118 on the security
14 interest of a letter-of-credit issuer or nominated person, s. 409.110 on a security
15 interest arising under ch. 402 or 411, and s. 409.206 on security interests in
16 investment property.

17 **(4) WHEN PERSON BECOMES BOUND BY ANOTHER PERSON'S SECURITY AGREEMENT.** (a)
18 A person becomes bound as debtor by a security agreement entered into by another
19 person if, by operation of law other than this chapter or by contract:

20 1. The security agreement becomes effective to create a security interest in the
21 person's property; or

22 2. The person becomes generally obligated for the obligations of the other
23 person, including the obligation secured under the security agreement, and acquires
24 or succeeds to all or substantially all of the assets of the other person.

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1 (b) A security agreement authenticated by one spouse is authenticated by the
2 debtor under this section if that spouse acting alone has the right under s. 766.51 to
3 manage and control the collateral, unless a marital property agreement or court
4 decree that is binding on the secured party under s. 766.55 (4m) or 766.56 (2) (c)
5 provides otherwise.

6 (5) EFFECT OF NEW DEBTOR BECOMING BOUND. If a new debtor becomes bound as
7 debtor by a security agreement entered into by another person:

8 (a) The agreement satisfies sub. (2) (c) with respect to existing or
9 after-acquired property of the new debtor to the extent that the property is described
10 in the agreement; and

11 (b) Another agreement is not necessary to make a security interest in the
12 property enforceable.

13 (6) PROCEEDS AND SUPPORTING OBLIGATIONS. The attachment of a security
14 interest in collateral gives the secured party the rights to proceeds provided by s.
15 409.315 and is also attachment of a security interest in a supporting obligation for
16 the collateral.

17 (7) LIEN SECURING RIGHT TO PAYMENT. The attachment of a security interest in
18 a right to payment or performance secured by a security interest or other lien on
19 personal or real property is also attachment of a security interest in the security
20 interest, mortgage, or other lien.

21 (8) SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT. The attachment of
22 a security interest in a securities account is also attachment of a security interest in
23 the security entitlements carried in the securities account.

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1 (9) COMMODITY CONTRACTS CARRIED IN COMMODITY ACCOUNT. The attachment of
2 a security interest in a commodity account is also attachment of a security interest
3 in the commodity contracts carried in the commodity account.

4 **409.204 After-acquired property; future advances.** (1) AFTER-ACQUIRED
5 COLLATERAL. Except as otherwise provided in sub. (2), a security agreement may
6 create or provide for a security interest in after-acquired collateral.

7 (2) WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE. A security interest
8 does not attach under a term constituting an after-acquired property clause to:

9 (a) Consumer goods, other than an accession when given as additional security,
10 unless the debtor acquires rights in them within 10 days after the secured party gives
11 value; or

12 (b) A commercial tort claim.

13 (3) FUTURE ADVANCES AND OTHER VALUE. A security agreement may provide that
14 collateral secures, or that accounts, chattel paper, payment intangibles, or
15 promissory notes are sold in connection with, future advances or other value,
16 whether or not the advances or value are given pursuant to commitment.

17 **409.205 Use or disposition of collateral permissible.** (1) WHEN SECURITY
18 INTEREST NOT INVALID OR FRAUDULENT. A security interest is not invalid or fraudulent
19 against creditors solely because:

20 (a) The debtor has the right or ability to:

21 1. Use, commingle, or dispose of all or part of the collateral, including returned
22 or repossessed goods;

23 2. Collect, compromise, enforce, or otherwise deal with collateral;

24 3. Accept the return of collateral or make repossessions; or

25 4. Use, commingle, or dispose of proceeds; or

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1 (b) The secured party fails to require the debtor to account for proceeds or
2 replace collateral.

3 (2) REQUIREMENTS OF POSSESSION NOT RELAXED. This section does not relax the
4 requirements of possession if attachment, perfection, or enforcement of a security
5 interest depends upon possession of the collateral by the secured party.

6 **409.206 Security interest arising in purchase or delivery of financial**
7 **asset. (1) SECURITY INTEREST WHEN PERSON BUYS THROUGH SECURITIES INTERMEDIARY.**
8 A security interest in favor of a securities intermediary attaches to a person's
9 security entitlement if:

10 (a) The person buys a financial asset through the securities intermediary in a
11 transaction in which the person is obligated to pay the purchase price to the
12 securities intermediary at the time of the purchase; and

13 (b) The securities intermediary credits the financial asset to the buyer's
14 securities account before the buyer pays the securities intermediary.

15 (2) SECURITY INTEREST SECURES OBLIGATION TO PAY FOR FINANCIAL ASSET. The
16 security interest described in sub. (1) secures the person's obligation to pay for the
17 financial asset.

18 (3) SECURITY INTEREST IN PAYMENT AGAINST DELIVERY TRANSACTION. A security
19 interest in favor of a person that delivers a certificated security or other financial
20 asset represented by a writing attaches to the security or other financial asset if:

21 (a) The security or other financial asset:

22 1. In the ordinary course of business is transferred by delivery with any
23 necessary endorsement or assignment; and

24 2. Is delivered under an agreement between persons in the business of dealing
25 with such securities or financial assets; and

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1 (b) The agreement calls for delivery against payment.

2 (4) SECURITY INTEREST SECURES OBLIGATION TO PAY FOR DELIVERY. The security
3 interest described in sub. (3) secures the obligation to make payment for the delivery.

4 **409.207 Rights and duties of secured party having possession or**
5 **control of collateral. (1) DUTY OF CARE WHEN SECURED PARTY IN POSSESSION.** Except
6 as otherwise provided in sub. (4), a secured party shall use reasonable care in the
7 custody and preservation of collateral in the secured party's possession. In the case
8 of chattel paper or an instrument, reasonable care includes taking necessary steps
9 to preserve rights against prior parties unless otherwise agreed.

10 (2) EXPENSES, RISKS, DUTIES, AND RIGHTS WHEN SECURED PARTY IN POSSESSION.
11 Except as otherwise provided in sub. (4), if a secured party has possession of
12 collateral:

13 (a) Reasonable expenses, including the cost of insurance and payment of taxes
14 or other charges, incurred in the custody, preservation, use, or operation of the
15 collateral are chargeable to the debtor and are secured by the collateral;

16 (b) The risk of accidental loss or damage is on the debtor to the extent of a
17 deficiency in any effective insurance coverage;

18 (c) The secured party shall keep the collateral identifiable, but fungible
19 collateral may be commingled; and

20 (d) The secured party may use or operate the collateral:

21 1. For the purpose of preserving the collateral or its value;

22 2. As permitted by an order of a court having competent jurisdiction; or

23 3. Except in the case of consumer goods, in the manner and to the extent agreed
24 by the debtor.

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1 **(3) DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR CONTROL.** Except
2 as otherwise provided in sub. (4), a secured party having possession of collateral or
3 control of collateral under s. 409.104, 409.105, 409.106, or 409.107:

4 (a) May hold as additional security any proceeds, except money or funds,
5 received from the collateral;

6 (b) Shall apply money or funds received from the collateral to reduce the
7 secured obligation, unless remitted to the debtor; and

8 (c) May create a security interest in the collateral.

9 **(4) BUYER OF CERTAIN RIGHTS TO PAYMENT.** If the secured party is a buyer of
10 accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

11 (a) Subsection (1) does not apply unless the secured party is entitled under an
12 agreement:

13 1. To charge back uncollected collateral; or

14 2. Otherwise to full or limited recourse against the debtor or a secondary obligor
15 based on the nonpayment or other default of an account debtor or other obligor on
16 the collateral; and

17 (b) Subsections (1) and (2) do not apply.

18 **409.208 Additional duties of secured party having control of collateral.**

19 **(1) APPLICABILITY OF SECTION.** This section applies to cases in which there is no
20 outstanding secured obligation and the secured party is not committed to make
21 advances, incur obligations, or otherwise give value.

22 **(2) DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR.** Within 10
23 days after receiving an authenticated demand by the debtor:

24 (a) A secured party having control of a deposit account under s. 409.104 (1) (b)
25 shall send to the bank with which the deposit account is maintained an

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1 authenticated statement that releases the bank from any further obligation to
2 comply with instructions originated by the secured party;

3 (b) A secured party having control of a deposit account under s. 409.104 (1) (c)
4 shall:

5 1. Pay the debtor the balance on deposit in the deposit account; or

6 2. Transfer the balance on deposit into a deposit account in the debtor's name;

7 (c) A secured party, other than a buyer, having control of electronic chattel
8 paper under s. 409.105 shall:

9 1. Communicate the authoritative copy of the electronic chattel paper to the
10 debtor or its designated custodian;

11 2. If the debtor designates a custodian that is the designated custodian with
12 which the authoritative copy of the electronic chattel paper is maintained for the
13 secured party, communicate to the custodian an authenticated record releasing the
14 designated custodian from any further obligation to comply with instructions
15 originated by the secured party and instructing the custodian to comply with
16 instructions originated by the debtor; and

17 3. Take appropriate action to enable the debtor or its designated custodian to
18 make copies of or revisions to the authoritative copy which add or change an
19 identified assignee of the authoritative copy without the consent of the secured party;

20 (d) A secured party having control of investment property under s. 408.106 (4)
21 (b) or 409.106 (2) shall send to the securities intermediary or commodity
22 intermediary with which the security entitlement or commodity contract is
23 maintained an authenticated record that releases the securities intermediary or
24 commodity intermediary from any further obligation to comply with entitlement
25 orders or directions originated by the secured party; and

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1 (e) A secured party having control of a letter-of-credit right under s. 409.107
2 shall send to each person having an unfulfilled obligation to pay or deliver proceeds
3 of the letter of credit to the secured party an authenticated release from any further
4 obligation to pay or deliver proceeds of the letter of credit to the secured party.

5 **409.209 Duties of secured party if account debtor has been notified of**
6 **assignment.** (1) APPLICABILITY OF SECTION. Except as otherwise provided in sub. (3),
7 this section applies if:

8 (a) There is no outstanding secured obligation; and

9 (b) The secured party is not committed to make advances, incur obligations, or
10 otherwise give value.

11 (2) DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR. Within 10
12 days after receiving an authenticated demand by the debtor, a secured party shall
13 send to an account debtor that has received notification of an assignment to the
14 secured party as assignee under s. 409.406 (1) an authenticated record that releases
15 the account debtor from any further obligation to the secured party.

16 (3) INAPPLICABILITY TO SALES. This section does not apply to an assignment
17 constituting the sale of an account, chattel paper, or payment intangible.

18 **409.210 Request for accounting; request regarding list of collateral or**
19 **statement of account.** (1) DEFINITIONS. In this section:

20 (a) "Request" means a record of a type described in par. (b), (c), or (d).

21 (b) "Request for an accounting" means a record authenticated by a debtor
22 requesting that the recipient provide an accounting of the unpaid obligations secured
23 by collateral and reasonably identifying the transaction or relationship that is the
24 subject of the request.

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1 (c) “Request regarding a list of collateral” means a record authenticated by a
2 debtor requesting that the recipient approve or correct a list of what the debtor
3 believes to be the collateral securing an obligation and reasonably identifying the
4 transaction or relationship that is the subject of the request.

5 (d) “Request regarding a statement of account” means a record authenticated
6 by a debtor requesting that the recipient approve or correct a statement indicating
7 what the debtor believes to be the aggregate amount of unpaid obligations secured
8 by collateral as of a specified date and reasonably identifying the transaction or
9 relationship that is the subject of the request.

10 (2) DUTY TO RESPOND TO REQUESTS. Subject to subs. (3) to (6), a secured party,
11 other than a buyer of accounts, chattel paper, payment intangibles, or promissory
12 notes or a consignor, shall comply with a request within 14 days after receipt:

13 (a) In the case of a request for an accounting, by authenticating and sending
14 to the debtor an accounting; and

15 (b) In the case of a request regarding a list of collateral or a request regarding
16 a statement of account, by authenticating and sending to the debtor an approval or
17 correction.

18 (3) REQUEST REGARDING LIST OF COLLATERAL; STATEMENT CONCERNING TYPE OF
19 COLLATERAL. A secured party that claims a security interest in all of a particular type
20 of collateral owned by the debtor may comply with a request regarding a list of
21 collateral by sending to the debtor an authenticated record including a statement to
22 that effect within 14 days after receipt.

23 (4) REQUEST REGARDING LIST OF COLLATERAL; NO INTEREST CLAIMED. A person that
24 receives a request regarding a list of collateral, claims no interest in the collateral
25 when it receives the request, and claimed an interest in the collateral at an earlier

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1 time shall comply with the request within 14 days after receipt by sending to the
2 debtor an authenticated record:

3 (a) Disclaiming any interest in the collateral; and

4 (b) If known to the recipient, providing the name and mailing address of any
5 assignee of or successor to the recipient's interest in the collateral.

6 (5) REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF ACCOUNT; NO INTEREST
7 IN OBLIGATION CLAIMED. A person that receives a request for an accounting or a request
8 regarding a statement of account, claims no interest in the obligations when it
9 receives the request, and claimed an interest in the obligations at an earlier time
10 shall comply with the request within 14 days after receipt by sending to the debtor
11 an authenticated record:

12 (a) Disclaiming any interest in the obligations; and

13 (b) If known to the recipient, providing the name and mailing address of any
14 assignee of or successor to the recipient's interest in the obligations.

15 (6) CHARGES FOR RESPONSES. A debtor is entitled without charge to one response
16 to a request under this section during any 6-month period. The secured party may
17 require payment of a charge not exceeding \$25 for each additional response.

SUBCHAPTER III**PERFECTION AND PRIORITY****409.301 Law governing perfection and priority of security interests.**

21 Except as otherwise provided in ss. 409.303 to 409.306, the following rules determine
22 the law governing perfection, the effect of perfection or nonperfection, and the
23 priority of a security interest in collateral:

24 (1) LOCATION OF DEBTOR. Except as otherwise provided in this section, while a
25 debtor is located in a jurisdiction, the local law of that jurisdiction governs perfection,

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1 the effect of perfection or nonperfection, and the priority of a security interest in
2 collateral.

3 (2) LOCATION OF COLLATERAL. While collateral is located in a jurisdiction, the
4 local law of that jurisdiction governs perfection, the effect of perfection or
5 nonperfection, and the priority of a possessory security interest in that collateral.

6 (3) LOCATION OF PROPERTY. Except as otherwise provided in sub. (4), while
7 negotiable documents, goods, instruments, money, or tangible chattel paper is
8 located in a jurisdiction, the local law of that jurisdiction governs:

9 (a) Perfection of a security interest in the goods by filing a fixture filing;

10 (b) Perfection of a security interest in timber to be cut; and

11 (c) The effect of perfection or nonperfection and the priority of a nonpossessory
12 security interest in the collateral.

13 (4) LOCATION OF WELLHEAD OR MINEHEAD. The local law of the jurisdiction in
14 which the wellhead or minehead is located governs perfection, the effect of perfection
15 or nonperfection, and the priority of a security interest in as-extracted collateral.

16 **409.302 Law governing perfection and priority of agricultural liens.**

17 While farm products are located in a jurisdiction, the local law of that jurisdiction
18 governs perfection, the effect of perfection or nonperfection, and the priority of an
19 agricultural lien on the farm products.

20 **409.303 Law governing perfection and priority of security interests in**

21 **goods covered by a certificate of title. (1) APPLICABILITY OF SECTION.** This section
22 applies to goods covered by a certificate of title, even if there is no other relationship
23 between the jurisdiction under whose certificate of title the goods are covered and the
24 goods or the debtor.

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1 (2) WHEN GOODS COVERED BY CERTIFICATE OF TITLE. Goods become covered by a
2 certificate of title when a valid application for the certificate of title and the
3 applicable fee are delivered to the appropriate authority. Goods cease to be covered
4 by a certificate of title at the earlier of the time the certificate of title ceases to be
5 effective under the law of the issuing jurisdiction or the time the goods become
6 covered subsequently by a certificate of title issued by another jurisdiction.

7 (3) APPLICABLE LAW. The local law of the jurisdiction under whose certificate of
8 title the goods are covered governs perfection, the effect of perfection or
9 nonperfection, and the priority of a security interest in goods covered by a certificate
10 of title from the time the goods become covered by the certificate of title until the
11 goods cease to be covered by the certificate of title.

12 **409.304 Law governing perfection and priority of security interests in**
13 **deposit accounts. (1) LAW OF BANK'S JURISDICTION GOVERNS.** The local law of a bank's
14 jurisdiction governs perfection, the effect of perfection or nonperfection, and the
15 priority of a security interest in a deposit account maintained with that bank.

16 (2) BANK'S JURISDICTION. The following rules determine a bank's jurisdiction for
17 purposes of this subchapter:

18 (a) If an agreement between the bank and the debtor governing the deposit
19 account expressly provides that a particular jurisdiction is the bank's jurisdiction for
20 purposes of this subchapter, this chapter, or chs. 401 to 411, that jurisdiction is the
21 bank's jurisdiction.

22 (b) If par. (a) does not apply and an agreement between the bank and its
23 customer governing the deposit account expressly provides that the agreement is
24 governed by the law of a particular jurisdiction, that jurisdiction is the bank's
25 jurisdiction.

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1 (c) If neither par. (a) nor par. (b) applies and an agreement between the bank
2 and its customer governing the deposit account expressly provides that the deposit
3 account is maintained at an office in a particular jurisdiction, that jurisdiction is the
4 bank's jurisdiction.

5 (d) If none of pars. (a) to (c) applies, the bank's jurisdiction is the jurisdiction
6 in which the office identified in an account statement as the office serving the
7 customer's account is located.

8 (e) If none of pars. (a) to (d) applies, the bank's jurisdiction is the jurisdiction
9 in which the chief executive office of the bank is located.

10 **409.305 Law governing perfection and priority of security interests in**
11 **investment property. (1) GOVERNING LAW: GENERAL RULES. Except as otherwise**
12 **provided in sub. (3), the following rules apply:**

13 (a) While a security certificate is located in a jurisdiction, the local law of that
14 jurisdiction governs perfection, the effect of perfection or nonperfection, and the
15 priority of a security interest in the certificated security represented thereby.

16 (b) The local law of the issuer's jurisdiction as specified in s. 408.110 (4) governs
17 perfection, the effect of perfection or nonperfection, and the priority of a security
18 interest in an uncertificated security.

19 (c) The local law of the securities intermediary's jurisdiction as specified in s.
20 408.110 (5) governs perfection, the effect of perfection or nonperfection, and the
21 priority of a security interest in a security entitlement or securities account.

22 (d) The local law of the commodity intermediary's jurisdiction governs
23 perfection, the effect of perfection or nonperfection, and the priority of a security
24 interest in a commodity contract or commodity account.

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1 (2) COMMODITY INTERMEDIARY'S JURISDICTION. The following rules determine a
2 commodity intermediary's jurisdiction for purposes of this subchapter:

3 (a) If an agreement between the commodity intermediary and commodity
4 customer governing the commodity account expressly provides that a particular
5 jurisdiction is the commodity intermediary's jurisdiction for purposes of this
6 subchapter, this chapter, or chs. 401 to 411, that jurisdiction is the commodity
7 intermediary's jurisdiction.

8 (b) If par. (a) does not apply and an agreement between the commodity
9 intermediary and commodity customer governing the commodity account expressly
10 provides that the agreement is governed by the law of a particular jurisdiction, that
11 jurisdiction is the commodity intermediary's jurisdiction.

12 (c) If neither par. (a) nor par. (b) applies and an agreement between the
13 commodity intermediary and commodity customer governing the commodity
14 account expressly provides that the commodity account is maintained at an office in
15 a particular jurisdiction, that jurisdiction is the commodity intermediary's
16 jurisdiction.

17 (d) If none of pars. (a) to (c) applies, the commodity intermediary's jurisdiction
18 is the jurisdiction in which the office identified in an account statement as the office
19 serving the commodity customer's account is located.

20 (e) If none of pars. (a) to (d) applies, the commodity intermediary's jurisdiction
21 is the jurisdiction in which the chief executive office of the commodity intermediary
22 is located.

23 (3) WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE DEBTOR LOCATED.
24 The local law of the jurisdiction in which the debtor is located governs:

25 (a) Perfection of a security interest in investment property by filing;

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1 (b) Automatic perfection of a security interest in investment property created
2 by a broker or securities intermediary; and

3 (c) Automatic perfection of a security interest in a commodity contract or
4 commodity account created by a commodity intermediary.

5 **409.306 Law governing perfection and priority of security interests in**
6 **letter-of-credit rights. (1) GOVERNING LAW: ISSUER'S OR NOMINATED PERSON'S**
7 **JURISDICTION.** Subject to sub. (3), the local law of the issuer's jurisdiction or a
8 nominated person's jurisdiction governs perfection, the effect of perfection or
9 nonperfection, and the priority of a security interest in a letter-of-credit right if the
10 issuer's jurisdiction or nominated person's jurisdiction is a state.

11 **(2) ISSUER'S OR NOMINATED PERSON'S JURISDICTION.** For purposes of this
12 subchapter, an issuer's jurisdiction or nominated person's jurisdiction is the
13 jurisdiction whose law governs the liability of the issuer or nominated person with
14 respect to the letter-of-credit right as provided in ch. 405.

15 **(3) WHEN SECTION NOT APPLICABLE.** This section does not apply to a security
16 interest that is perfected only under s. 409.308 (4).

17 **409.307 Location of debtor. (1) PLACE OF BUSINESS.** In this section, "place
18 of business" means a place where a debtor conducts its affairs.

19 **(2) DEBTOR'S LOCATION: GENERAL RULES.** Except as otherwise provided in this
20 section, the following rules determine a debtor's location:

21 (a) A debtor who is an individual is located at the individual's principal
22 residence.

23 (b) A debtor that is an organization and has only one place of business is located
24 at its place of business.

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1 (c) A debtor that is an organization and has more than one place of business
2 is located at its chief executive office.

3 (3) LIMITATION OF APPLICABILITY OF SUB. (2). Subsection (2) applies only if a
4 debtor's residence, place of business, or chief executive office, as applicable, is located
5 in a jurisdiction whose law generally requires information concerning the existence
6 of a nonpossessory security interest to be made generally available in a filing,
7 recording, or registration system as a condition or result of the security interest's
8 obtaining priority over the rights of a lien creditor with respect to the collateral. If
9 sub. (2) does not apply, the debtor is located in the District of Columbia.

10 (4) CONTINUATION OF LOCATION: CESSATION OF EXISTENCE. A person that ceases
11 to exist, have a residence, or have a place of business continues to be located in the
12 jurisdiction specified by subs. (2) and (3).

13 (5) LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER STATE LAW. A
14 registered organization that is organized under the law of a state is located in that
15 state.

16 (6) LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER FEDERAL LAW; BANK
17 BRANCHES AND AGENCIES. Except as otherwise provided in sub. (9), a registered
18 organization that is organized under the law of the United States and a branch or
19 agency of a bank that is not organized under the law of the United States or a state
20 are located:

21 (a) In the state that the law of the United States designates, if the law
22 designates a state of location;

23 (b) In the state that the registered organization, branch, or agency designates,
24 if the law of the United States authorizes the registered organization, branch, or
25 agency to designate its state of location; or

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1 (c) In the District of Columbia, if neither par. (a) nor par. (b) applies.

2 (7) CONTINUATION OF LOCATION: CHANGE IN STATUS OF REGISTERED ORGANIZATION.

3 A registered organization continues to be located in the jurisdiction specified by sub.
4 (5) or (6) notwithstanding:

5 (a) The suspension, revocation, forfeiture, or lapse of the registered
6 organization's status as such in its jurisdiction of organization; or

7 (b) The dissolution, winding up, or cancellation of the existence of the
8 registered organization.

9 (8) LOCATION OF UNITED STATES. The United States is located in the District of
10 Columbia.

11 (9) LOCATION OF FOREIGN BANK BRANCH OR AGENCY IF LICENSED IN ONLY ONE STATE.
12 A branch or agency of a bank that is not organized under the law of the United States
13 or a state is located in the state in which the branch or agency is licensed, if all
14 branches and agencies of the bank are licensed in only one state.

15 (10) LOCATION OF FOREIGN AIR CARRIER. A foreign air carrier under the Federal
16 Aviation Act of 1958, as amended, is located at the designated office of the agent upon
17 which service of process may be made on behalf of the carrier.

18 (11) SECTION APPLIES ONLY TO THIS SUBCHAPTER. This section applies only for
19 purposes of this subchapter.

20 **409.308 When security interest or agricultural lien is perfected;**
21 **continuity of perfection. (1) PERFECTION OF SECURITY INTEREST.** Except as
22 otherwise provided in this section and s. 409.309, a security interest is perfected if
23 it has attached and all of the applicable requirements for perfection in ss. 409.310
24 to 409.316 have been satisfied. A security interest is perfected when it attaches if
25 the applicable requirements are satisfied before the security interest attaches.

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1 (2) PERFECTION OF AGRICULTURAL LIEN. An agricultural lien is perfected if it has
2 become effective and all of the applicable requirements for perfection in s. 409.310
3 have been satisfied. An agricultural lien is perfected when it becomes effective if the
4 applicable requirements are satisfied before the agricultural lien becomes effective.

5 (3) CONTINUOUS PERFECTION; PERFECTION BY DIFFERENT METHODS. A security
6 interest or agricultural lien is perfected continuously if it is originally perfected by
7 one method under this chapter and is later perfected by another method under this
8 chapter, without an intermediate period when it was unperfected.

9 (4) SUPPORTING OBLIGATION. Perfection of a security interest in collateral also
10 perfects a security interest in a supporting obligation for the collateral.

11 (5) LIEN SECURING RIGHT TO PAYMENT. Perfection of a security interest in a right
12 to payment or performance also perfects a security interest in a security interest,
13 mortgage, or other lien on personal or real property securing the right.

14 (6) SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT. Perfection of a
15 security interest in a securities account also perfects a security interest in the
16 security entitlements carried in the securities account.

17 (7) COMMODITY CONTRACT CARRIED IN COMMODITY ACCOUNT. Perfection of a
18 security interest in a commodity account also perfects a security interest in the
19 commodity contracts carried in the commodity account.

20 **409.309 Security interest perfected upon attachment.** The following
21 security interests are perfected when they attach:

22 (1) A purchase-money security interest in consumer goods, except as otherwise
23 provided in s. 409.311 (2) with respect to consumer goods that are subject to a statute
24 or treaty described in s. 409.311 (1);

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1 (2) An assignment of accounts or payment intangibles which does not by itself
2 or in conjunction with other assignments to the same assignee transfer a significant
3 part of the assignor's outstanding accounts or payment intangibles;

4 (3) A sale of a payment intangible;

5 (4) A sale of a promissory note;

6 (5) A security interest created by the assignment of a health-care-insurance
7 receivable to the provider of the health-care goods or services;

8 (6) A security interest arising under s. 402.401, 402.505, 402.711 (3), or 411.508
9 (5), until the debtor obtains possession of the collateral;

10 (7) A security interest of a collecting bank arising under s. 404.210;

11 (8) A security interest of an issuer or nominated person arising under s.
12 405.118;

13 (9) A security interest arising in the delivery of a financial asset under s.
14 409.206 (3);

15 (10) A security interest in investment property created by a broker or securities
16 intermediary;

17 (11) A security interest in a commodity contract or a commodity account
18 created by a commodity intermediary;

19 (12) An assignment for the benefit of all creditors of the transferor and
20 subsequent transfers by the assignee thereunder; and

21 (13) A security interest created by an assignment of a beneficial interest in a
22 decedent's estate.

23 **409.310 When filing required to perfect security interest or**
24 **agricultural lien; security interests and agricultural liens to which filing**
25 **provisions do not apply. (1) GENERAL RULE: PERFECTION BY FILING. Except as**

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1 otherwise provided in sub. (2) and s. 409.312 (2), a financing statement must be filed
2 to perfect all security interests and agricultural liens.

3 **(2) EXCEPTIONS: FILING NOT NECESSARY.** The filing of a financing statement is
4 not necessary to perfect a security interest:

5 (a) That is perfected under s. 409.308 (4), (5), (6), or (7);

6 (b) That is perfected under s. 409.309 when it attaches;

7 (c) In property subject to a statute, regulation, or treaty described in s. 409.311
8 (1);

9 (d) In goods in possession of a bailee which is perfected under s. 409.312 (4) (a)
10 or (b);

11 (e) In certificated securities, documents, goods, or instruments which is
12 perfected without filing or possession under s. 409.312 (5), (6), or (7);

13 (f) In collateral in the secured party's possession under s. 409.313;

14 (g) In a certificated security which is perfected by delivery of the security
15 certificate to the secured party under s. 409.313;

16 (h) In deposit accounts, electronic chattel paper, investment property, or
17 letter-of-credit rights which is perfected by control under s. 409.314;

18 (i) In proceeds which is perfected under s. 409.315; or

19 (j) That is perfected under s. 409.316.

20 **(3) ASSIGNMENT OF PERFECTED SECURITY INTEREST.** If a secured party assigns a
21 perfected security interest or agricultural lien, a filing under this chapter is not
22 required to continue the perfected status of the security interest against creditors of
23 and transferees from the original debtor.

24 **409.311 Perfection of security interests in property subject to certain**
25 **statutes, regulations, and treaties. (1) SECURITY INTEREST SUBJECT TO OTHER LAW.**

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1 Except as otherwise provided in sub. (4), the filing of a financing statement is not
2 necessary or effective to perfect a security interest in property subject to:

3 (a) A statute, regulation, or treaty of the United States whose requirements for
4 a security interest's obtaining priority over the rights of a lien creditor with respect
5 to the property preempt s. 409.310 (1).

6 (b) The following vehicle title statutes: ss. 342.19 and 342.20.

7 (bm) The following boat title statutes: ss. 30.57, 30.572, and 30.573.

8 (c) A certificate-of-title statute of another jurisdiction which provides for a
9 security interest to be indicated on the certificate as a condition or result of the
10 security interest's obtaining priority over the rights of a lien creditor with respect to
11 the property.

12 (d) Sections 182.025 and 190.11 and other statutes providing for central filing.

13 (e) A master lease entered into by the state under s. 16.76 (4).

14 (f) The manufactured home security interest provisions under subch. V of ch.
15 101.

16 (2) COMPLIANCE WITH OTHER LAW. Compliance with the requirements of a
17 statute, regulation, or treaty described in sub. (1) for obtaining priority over the
18 rights of a lien creditor is equivalent to the filing of a financing statement under this
19 chapter. Except as otherwise provided in sub. (4) and ss. 409.313 and 409.316 (4) and
20 (5) for goods covered by a certificate of title, a security interest in property subject
21 to a statute, regulation, or treaty described in sub. (1) may be perfected only by
22 compliance with those requirements, and a security interest so perfected remains
23 perfected notwithstanding a change in the use or transfer of possession of the
24 collateral.

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1 **(3) DURATION AND RENEWAL OF PERFECTION.** Except as otherwise provided in sub.
2 (4) and s. 409.316 (4) and (5), duration and renewal of perfection of a security interest
3 perfected by compliance with the requirements prescribed by a statute, regulation,
4 or treaty described in sub. (1) are governed by the statute, regulation, or treaty. In
5 other respects, the security interest is subject to this chapter.

6 **(4) INAPPLICABILITY TO CERTAIN INVENTORY.** During any period in which collateral
7 subject to a statute specified in sub. (1) (b), (bm), or (f) is inventory held for sale or
8 lease by a person or leased by that person as lessor and that person is in the business
9 of selling goods of that kind, this section does not apply to a security interest in that
10 collateral created by that person.

11 **409.312 Perfection of security interests in chattel paper, deposit**
12 **accounts, documents, goods covered by documents, instruments,**
13 **investment property, letter-of-credit rights, and money; perfection by**
14 **permissive filing; temporary perfection without filing or transfer of**
15 **possession. (1) PERFECTION BY FILING PERMITTED.** A security interest in chattel
16 paper, negotiable documents, instruments, or investment property may be perfected
17 by filing.

18 **(2) CONTROL OR POSSESSION OF CERTAIN COLLATERAL.** Except as otherwise
19 provided in s. 409.315 (3) and (4) for proceeds:

20 (a) A security interest in a deposit account may be perfected only by control
21 under s. 409.314;

22 (b) And except as otherwise provided in s. 409.308 (4), a security interest in a
23 letter-of-credit right may be perfected only by control under s. 409.314; and

24 (c) A security interest in money may be perfected only by the secured party's
25 taking possession under s. 409.313.

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1 **(3) GOODS COVERED BY NEGOTIABLE DOCUMENT.** While goods are in the possession
2 of a bailee that has issued a negotiable document covering the goods:

3 (a) A security interest in the goods may be perfected by perfecting a security
4 interest in the document; and

5 (b) A security interest perfected in the document has priority over any security
6 interest that becomes perfected in the goods by another method during that time.

7 **(4) GOODS COVERED BY NONNEGOTIABLE DOCUMENT.** While goods are in the
8 possession of a bailee that has issued a nonnegotiable document covering the goods,
9 a security interest in the goods may be perfected by:

10 (a) Issuance of a document in the name of the secured party;

11 (b) The bailee's receipt of notification of the secured party's interest; or

12 (c) Filing as to the goods.

13 **(5) TEMPORARY PERFECTION: NEW VALUE.** A security interest in certificated
14 securities, negotiable documents, or instruments is perfected without filing or the
15 taking of possession for a period of 20 days from the time it attaches to the extent that
16 it arises for new value given under an authenticated security agreement.

17 **(6) TEMPORARY PERFECTION: GOODS OR DOCUMENTS MADE AVAILABLE TO DEBTOR.** A
18 perfected security interest in a negotiable document or goods in possession of a
19 bailee, other than one that has issued a negotiable document for the goods, remains
20 perfected for 20 days without filing if the secured party makes available to the debtor
21 the goods or documents representing the goods for the purpose of:

22 (a) Ultimate sale or exchange; or

23 (b) Loading, unloading, storing, shipping, transshipping, manufacturing,
24 processing, or otherwise dealing with them in a manner preliminary to their sale or
25 exchange.

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1 (7) TEMPORARY PERFECTION: DELIVERY OF SECURITY CERTIFICATE OR INSTRUMENT TO
2 DEBTOR. A perfected security interest in a certificated security or instrument remains
3 perfected for 20 days without filing if the secured party delivers the security
4 certificate or instrument to the debtor for the purpose of:

5 (a) Ultimate sale or exchange; or

6 (b) Presentation, collection, enforcement, renewal, or registration of transfer.

7 (8) EXPIRATION OF TEMPORARY PERFECTION. After the 20-day period specified in
8 sub. (5), (6), or (7) expires, perfection depends upon compliance with this chapter.

9 **409.313 When possession by or delivery to secured party perfects**
10 **security interest without filing. (1) PERFECTION BY POSSESSION OR DELIVERY.**
11 Except as otherwise provided in sub. (2), a secured party may perfect a security
12 interest in negotiable documents, goods, instruments, money, or tangible chattel
13 paper by taking possession of the collateral. A secured party may perfect a security
14 interest in certificated securities by taking delivery of the certificated securities
15 under s. 408.301.

16 (2) GOODS COVERED BY CERTIFICATE OF TITLE. With respect to goods covered by
17 a certificate of title issued by this state, a secured party may perfect a security
18 interest in the goods by taking possession of the goods only in the circumstances
19 described in s. 409.316 (4).

20 (3) COLLATERAL IN POSSESSION OF PERSON OTHER THAN DEBTOR. With respect to
21 collateral other than certificated securities and goods covered by a document, a
22 secured party takes possession of collateral in the possession of a person other than
23 the debtor, the secured party, or a lessee of the collateral from the debtor in the
24 ordinary course of the debtor's business, when:

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1 (a) The person in possession authenticates a record acknowledging that the
2 person holds possession of the collateral for the secured party's benefit; or

3 (b) The person takes possession of the collateral after having authenticated a
4 record acknowledging that the person will hold possession of collateral for the
5 secured party's benefit.

6 (4) TIME OF PERFECTION BY POSSESSION; CONTINUATION OF PERFECTION. If
7 perfection of a security interest depends upon possession of the collateral by a
8 secured party, perfection occurs no earlier than the time the secured party takes
9 possession and continues only while the secured party retains possession.

10 (5) TIME OF PERFECTION BY DELIVERY; CONTINUATION OF PERFECTION. A security
11 interest in a certificated security in registered form is perfected by delivery when
12 delivery of the certificated security occurs under s. 408.301 and remains perfected
13 by delivery until the debtor obtains possession of the security certificate.

14 (6) ACKNOWLEDGMENT NOT REQUIRED. A person in possession of collateral is not
15 required to acknowledge that it holds possession for a secured party's benefit.

16 (7) EFFECTIVENESS OF ACKNOWLEDGMENT; NO DUTIES OR CONFIRMATION. If a person
17 acknowledges that it holds possession for the secured party's benefit:

18 (a) The acknowledgment is effective under sub. (3) or s. 408.301 (1), even if the
19 acknowledgment violates the rights of a debtor; and

20 (b) Unless the person otherwise agrees or law other than this chapter otherwise
21 provides, the person does not owe any duty to the secured party and is not required
22 to confirm the acknowledgment to another person.

23 (8) SECURED PARTY'S DELIVERY TO PERSON OTHER THAN DEBTOR. A secured party
24 having possession of collateral does not relinquish possession by delivering the
25 collateral to a person other than the debtor or a lessee of the collateral from the debtor

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1 in the ordinary course of the debtor's business if the person was instructed before the
2 delivery or is instructed contemporaneously with the delivery:

3 (a) To hold possession of the collateral for the secured party's benefit; or

4 (b) To redeliver the collateral to the secured party.

5 **(9) EFFECT OF DELIVERY UNDER SUB. (8); NO DUTIES OR CONFIRMATION.** A secured
6 party does not relinquish possession, even if a delivery under sub. (8) violates the
7 rights of a debtor. A person to which collateral is delivered under sub. (8) does not
8 owe any duty to the secured party and is not required to confirm the delivery to
9 another person unless the person otherwise agrees or law other than this chapter
10 otherwise provides.

11 **409.314 Perfection by control. (1) PERFECTION BY CONTROL.** A security
12 interest in investment property, deposit accounts, letter-of-credit rights, or
13 electronic chattel paper may be perfected by control of the collateral under s. 409.104,
14 409.105, 409.106, or 409.107.

15 **(2) SPECIFIED COLLATERAL: TIME OF PERFECTION BY CONTROL; CONTINUATION OF**
16 **PERFECTION.** A security interest in deposit accounts, electronic chattel paper, or
17 letter-of-credit rights is perfected by control under s. 409.104, 409.105, or 409.107
18 when the secured party obtains control and remains perfected by control only while
19 the secured party retains control.

20 **(3) INVESTMENT PROPERTY: TIME OF PERFECTION BY CONTROL; CONTINUATION OF**
21 **PERFECTION.** A security interest in investment property is perfected by control under
22 s. 409.106 from the time the secured party obtains control and remains perfected by
23 control until:

24 (a) The secured party does not have control; and

25 (b) One of the following occurs:

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1 1. If the collateral is a certificated security, the debtor has or acquires
2 possession of the security certificate;

3 2. If the collateral is an uncertificated security, the issuer has registered or
4 registers the debtor as the registered owner; or

5 3. If the collateral is a security entitlement, the debtor is or becomes the
6 entitlement holder.

7 **409.315 Secured party's rights on disposition of collateral and in**
8 **proceeds. (1) DISPOSITION OF COLLATERAL: CONTINUATION OF SECURITY INTEREST OR**
9 **AGRICULTURAL LIEN; PROCEEDS. Except as otherwise provided in this chapter and in s.**
10 **402.403 (2):**

11 (a) A security interest or agricultural lien continues in collateral
12 notwithstanding sale, lease, license, exchange, or other disposition thereof unless
13 the secured party authorized the disposition free of the security interest or
14 agricultural lien; and

15 (b) A security interest attaches to any identifiable proceeds of collateral.

16 **(2) WHEN COMMINGLED PROCEEDS IDENTIFIABLE. Proceeds that are commingled**
17 **with other property are identifiable proceeds:**

18 (a) If the proceeds are goods, to the extent provided by s. 409.336; and

19 (b) If the proceeds are not goods, to the extent that the secured party identifies
20 the proceeds by a method of tracing, including application of equitable principles,
21 that is permitted under law other than this chapter with respect to commingled
22 property of the type involved.

23 **(3) PERFECTION OF SECURITY INTEREST IN PROCEEDS. A security interest in**
24 **proceeds is a perfected security interest if the security interest in the original**
25 **collateral was perfected.**

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1 (4) CONTINUATION OF PERFECTION. A perfected security interest in proceeds
2 becomes unperfected on the 21st day after the security interest attaches to the
3 proceeds unless:

4 (a) The following conditions are satisfied:

5 1. A filed financing statement covers the original collateral;

6 2. The proceeds are collateral in which a security interest may be perfected by
7 filing in the office in which the financing statement has been filed; and

8 3. The proceeds are not acquired with cash proceeds;

9 (b) The proceeds are identifiable cash proceeds; or

10 (c) The security interest in the proceeds is perfected other than under sub. (3)
11 when the security interest attaches to the proceeds or within 20 days thereafter.

12 (5) WHEN PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES UNPERFECTED. If
13 a filed financing statement covers the original collateral, a security interest in
14 proceeds which remains perfected under sub. (4) (a) becomes unperfected at the later
15 of:

16 (a) When the effectiveness of the filed financing statement lapses under s.
17 409.515 or is terminated under s. 409.513; or

18 (b) The 21st day after the security interest attaches to the proceeds.

19 **409.316 Continued perfection of security interest following change in**
20 **governing law. (1) GENERAL RULE: EFFECT ON PERFECTION OF CHANGE IN GOVERNING**
21 **LAW.** A security interest perfected pursuant to the law of the jurisdiction designated
22 in s. 409.301 (1) or 409.305 (3) remains perfected until the earliest of:

23 (a) The time perfection would have ceased under the law of that jurisdiction;

24 (b) The expiration of 4 months after a change of the debtor's location to another
25 jurisdiction; or

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1 (c) The expiration of one year after a transfer of collateral to a person that
2 thereby becomes a debtor and is located in another jurisdiction.

3 (2) SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF NEW
4 JURISDICTION. If a security interest described in sub. (1) becomes perfected under the
5 law of the other jurisdiction before the earliest time or event described in that
6 subsection, it remains perfected thereafter. If the security interest does not become
7 perfected under the law of the other jurisdiction before the earliest time or event, it
8 becomes unperfected and is deemed never to have been perfected as against a
9 purchaser of the collateral for value.

10 (3) POSSESSORY SECURITY INTEREST IN COLLATERAL MOVED TO NEW JURISDICTION.
11 A possessory security interest in collateral, other than goods covered by a certificate
12 of title and as-extracted collateral consisting of goods, remains continuously
13 perfected if:

14 (a) The collateral is located in one jurisdiction and subject to a security interest
15 perfected under the law of that jurisdiction;

16 (b) Thereafter the collateral is brought into another jurisdiction; and

17 (c) Upon entry into the other jurisdiction, the security interest is perfected
18 under the law of the other jurisdiction.

19 (4) GOODS COVERED BY CERTIFICATE OF TITLE FROM THIS STATE. Except as otherwise
20 provided in sub. (5), a security interest in goods covered by a certificate of title which
21 is perfected by any method under the law of another jurisdiction when the goods
22 become covered by a certificate of title from this state remains perfected until the
23 security interest would have become unperfected under the law of the other
24 jurisdiction had the goods not become so covered.

BILL**(5) WHEN SUB. (4) SECURITY INTEREST BECOMES UNPERFECTED AGAINST PURCHASERS.**

A security interest described in sub. (4) becomes unperfected as against a purchaser of the goods for value and is deemed never to have been perfected as against a purchaser of the goods for value if the applicable requirements for perfection under s. 409.311 (2) or 409.313 are not satisfied before the earlier of:

(a) The time the security interest would have become unperfected under the law of the other jurisdiction had the goods not become covered by a certificate of title from this state; or

(b) The expiration of 4 months after the goods had become so covered.

(6) CHANGE IN JURISDICTION OF BANK, ISSUER, NOMINATED PERSON, SECURITIES INTERMEDIARY, OR COMMODITY INTERMEDIARY. A security interest in deposit accounts, letter-of-credit rights, or investment property which is perfected under the law of the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains perfected until the earlier of:

(a) The time the security interest would have become unperfected under the law of that jurisdiction; or

(b) The expiration of 4 months after a change of the applicable jurisdiction to another jurisdiction.

(7) SUB. (6) SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF NEW JURISDICTION. If a security interest described in sub. (6) becomes perfected under the law of the other jurisdiction before the earlier of the time or the end of the period described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier

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1 of that time or the end of that period, it becomes unperfected and is deemed never
2 to have been perfected as against a purchaser of the collateral for value.

3 **409.317 Interests that take priority over or take free of security**
4 **interest or agricultural lien. (1) CONFLICTING SECURITY INTERESTS AND RIGHTS OF**
5 **LIEN CREDITORS.** A security interest or agricultural lien is subordinate to the rights
6 of:

7 (a) A person entitled to priority under s. 409.322; and

8 (b) Except as otherwise provided in sub. (5), a person that becomes a lien
9 creditor before the earlier of the time:

10 1. The security interest or agricultural lien is perfected; or

11 2. One of the conditions specified in s. 409.203 (2) (c) is met and a financing
12 statement covering the collateral is filed.

13 (2) **BUYERS THAT RECEIVE DELIVERY.** Except as otherwise provided in sub. (5), a
14 buyer, other than a secured party, of tangible chattel paper, documents, goods,
15 instruments, or a security certificate takes free of a security interest or agricultural
16 lien if the buyer gives value and receives delivery of the collateral without knowledge
17 of the security interest or agricultural lien and before it is perfected.

18 (3) **LESSEES THAT RECEIVE DELIVERY.** Except as otherwise provided in sub. (5),
19 a lessee of goods takes free of a security interest or agricultural lien if the lessee gives
20 value and receives delivery of the collateral without knowledge of the security
21 interest or agricultural lien and before it is perfected.

22 (4) **LICENSEES AND BUYERS OF CERTAIN COLLATERAL.** A licensee of a general
23 intangible or a buyer, other than a secured party, of accounts, electronic chattel
24 paper, general intangibles, or investment property other than a certificated security

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1 takes free of a security interest if the licensee or buyer gives value without knowledge
2 of the security interest and before it is perfected.

3 (5) PURCHASE-MONEY SECURITY INTEREST. Except as otherwise provided in ss.
4 409.320 and 409.321, if a person files a financing statement with respect to a
5 purchase-money security interest before or within 20 days after the debtor receives
6 delivery of the collateral, the security interest takes priority over the rights of a
7 buyer, lessee, or lien creditor which arise between the time the security interest
8 attaches and the time of filing.

9 **409.318 No interest retained in right to payment that is sold; rights and**
10 **title of seller of account or chattel paper with respect to creditors and**
11 **purchasers. (1) SELLER RETAINS NO INTEREST.** A debtor that has sold an account,
12 chattel paper, payment intangible, or promissory note does not retain a legal or
13 equitable interest in the collateral sold.

14 (2) DEEMED RIGHTS OF DEBTOR IF BUYER'S SECURITY INTEREST UNPERFECTED. For
15 purposes of determining the rights of creditors of, and purchasers for value of an
16 account or chattel paper from, a debtor that has sold an account or chattel paper,
17 while the buyer's security interest is unperfected, the debtor is deemed to have rights
18 and title to the account or chattel paper identical to those the debtor sold.

19 **409.319 Rights and title of consignee with respect to creditors and**
20 **purchasers. (1) CONSIGNEE HAS CONSIGNOR'S RIGHTS.** Except as otherwise provided
21 in sub. (2), for purposes of determining the rights of creditors of, and purchasers for
22 value of goods from, a consignee, while the goods are in the possession of the
23 consignee, the consignee is deemed to have rights and title to the goods identical to
24 those the consignor had or had power to transfer.

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1 **(2) APPLICABILITY OF OTHER LAW.** For purposes of determining the rights of a
2 creditor of a consignee, law other than this chapter determines the rights and title
3 of a consignee while goods are in the consignee's possession if, under this subchapter,
4 a perfected security interest held by the consignor would have priority over the rights
5 of the creditor.

6 **409.320 Buyer of goods. (1) BUYER IN ORDINARY COURSE OF BUSINESS.** Except
7 as otherwise provided in sub. (5), a buyer in ordinary course of business, other than
8 a person buying farm products from a person engaged in farming operations, takes
9 free of a security interest created by the buyer's seller, even if the security interest
10 is perfected and the buyer knows of its existence.

11 **(2) BUYER OF CONSUMER GOODS.** Except as otherwise provided in sub. (5), a buyer
12 of goods from a person who used or bought the goods for use primarily for personal,
13 family, or household purposes takes free of a security interest, even if perfected, if the
14 buyer buys:

15 (a) Without knowledge of the security interest;

16 (b) For value;

17 (c) Primarily for the buyer's personal, family, or household purposes; and

18 (d) Before the filing of a financing statement covering the goods.

19 **(3) EFFECTIVENESS OF FILING FOR SUB. (2).** To the extent that it affects the priority
20 of a security interest over a buyer of goods under sub. (2), the period of effectiveness
21 of a filing made in the jurisdiction in which the seller is located is governed by s.
22 409.316 (1) and (2).

23 **(4) BUYER IN ORDINARY COURSE OF BUSINESS AT WELLHEAD OR MINEHEAD.** A buyer
24 in ordinary course of business buying oil, gas, or other minerals at the wellhead or
25 minehead or after extraction takes free of an interest arising out of an encumbrance.

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1 (5) POSSESSORY SECURITY INTEREST NOT AFFECTED. Subsections (1) and (2) do not
2 affect a security interest in goods in the possession of the secured party under s.
3 409.313.

4 **409.321 Licensee of general intangible and lessee of goods in ordinary**
5 **course of business. (1) LICENSEE IN ORDINARY COURSE OF BUSINESS.** In this section,
6 “licensee in ordinary course of business” means a person that becomes a licensee of
7 a general intangible in good faith, without knowledge that the license violates the
8 rights of another person in the general intangible, and in the ordinary course from
9 a person in the business of licensing general intangibles of that kind. A person
10 becomes a licensee in the ordinary course if the license to the person comports with
11 the usual or customary practices in the kind of business in which the licensor is
12 engaged or with the licensor’s own usual or customary practices.

13 (2) RIGHTS OF LICENSEE IN ORDINARY COURSE OF BUSINESS. A licensee in ordinary
14 course of business takes its rights under a nonexclusive license free of a security
15 interest in the general intangible created by the licensor, even if the security interest
16 is perfected and the licensee knows of its existence.

17 (3) RIGHTS OF LESSEE IN ORDINARY COURSE OF BUSINESS. A lessee in ordinary
18 course of business takes its leasehold interest free of a security interest in the goods
19 created by the lessor, even if the security interest is perfected and the lessee knows
20 of its existence.

21 **409.322 Priorities among conflicting security interests in and**
22 **agricultural liens on same collateral. (1) GENERAL PRIORITY RULES.** Except as
23 otherwise provided in this section, priority among conflicting security interests and
24 agricultural liens in the same collateral is determined according to the following
25 rules:

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1 (a) Conflicting perfected security interests and agricultural liens rank
2 according to priority in time of filing or perfection. Priority dates from the earlier of
3 the time a filing covering the collateral is first made or the security interest or
4 agricultural lien is first perfected, if there is no period thereafter when there is
5 neither filing nor perfection.

6 (b) A perfected security interest or agricultural lien has priority over a
7 conflicting unperfected security interest or agricultural lien.

8 (c) The first security interest or agricultural lien to attach or become effective
9 has priority if conflicting security interests and agricultural liens are unperfected.

10 **(2) TIME OF PERFECTION: PROCEEDS AND SUPPORTING OBLIGATIONS.** For the
11 purposes of sub. (1) (a):

12 (a) The time of filing or perfection as to a security interest in collateral is also
13 the time of filing or perfection as to a security interest in proceeds; and

14 (b) The time of filing or perfection as to a security interest in collateral
15 supported by a supporting obligation is also the time of filing or perfection as to a
16 security interest in the supporting obligation.

17 **(3) SPECIAL PRIORITY RULES: PROCEEDS AND SUPPORTING OBLIGATIONS.** Except as
18 otherwise provided in sub. (6), a security interest in collateral which qualifies for
19 priority over a conflicting security interest under s. 409.327, 409.328, 409.329,
20 409.330, or 409.331 also has priority over a conflicting security interest in:

21 (a) Any supporting obligation for the collateral; and

22 (b) Proceeds of the collateral if:

23 1. The security interest in proceeds is perfected;

24 2. The proceeds are cash proceeds or of the same type as the collateral; and

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1 3. In the case of proceeds that are proceeds of proceeds, all intervening proceeds
2 are cash proceeds, proceeds of the same type as the collateral, or an account relating
3 to the collateral.

4 **(4) FIRST-TO-FILE PRIORITY RULE FOR CERTAIN COLLATERAL.** Subject to sub. (5) and
5 except as otherwise provided in sub. (6), if a security interest in chattel paper, deposit
6 accounts, negotiable documents, instruments, investment property, or
7 letter-of-credit rights is perfected by a method other than filing, conflicting
8 perfected security interests in proceeds of the collateral rank according to priority in
9 time of filing.

10 **(5) APPLICABILITY OF SUB. (4).** Subsection (4) applies only if the proceeds of the
11 collateral are not cash proceeds, chattel paper, negotiable documents, instruments,
12 investment property, or letter-of-credit rights.

13 **(6) LIMITATIONS ON SUBS. (1) TO (5).** Subsections (1) to (5) are subject to:

14 (a) Subsection (7) and the other provisions of this subchapter;

15 (b) Section 404.210 with respect to a security interest of a collecting bank;

16 (c) Section 405.118 with respect to a security interest of an issuer or nominated
17 person; and

18 (d) Section 409.110 with respect to a security interest arising under ch. 402 or
19 411.

20 **(7) PRIORITY UNDER AGRICULTURAL LIEN STATUTE.** A perfected agricultural lien on
21 collateral has priority over a conflicting security interest in or agricultural lien on
22 the same collateral if the statute creating the agricultural lien so provides.

23 **409.323 Future advances. (1) WHEN PRIORITY BASED ON TIME OF ADVANCE.**
24 Except as otherwise provided in sub. (3), for purposes of determining the priority of
25 a perfected security interest under s. 409.322 (1) (a), perfection of the security

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1 interest dates from the time an advance is made to the extent that the security
2 interest secures an advance that:

3 (a) Is made while the security interest is perfected only:

4 1. Under s. 409.309 when it attaches; or

5 2. Temporarily under s. 409.312 (5), (6), or (7); and

6 (b) Is not made pursuant to a commitment entered into before or while the
7 security interest is perfected by a method other than under s. 409.309 or 409.312 (5),
8 (6), or (7).

9 (2) LIEN CREDITOR. Except as otherwise provided in sub. (3), a security interest
10 is subordinate to the rights of a person that becomes a lien creditor to the extent that
11 the security interest secures an advance made more than 45 days after the person
12 becomes a lien creditor unless the advance is made:

13 (a) Without knowledge of the lien; or

14 (b) Pursuant to a commitment entered into without knowledge of the lien.

15 (3) BUYER OF RECEIVABLES. Subsections (1) and (2) do not apply to a security
16 interest held by a secured party that is a buyer of accounts, chattel paper, payment
17 intangibles, or promissory notes or a consignor.

18 (4) BUYER OF GOODS. Except as otherwise provided in sub. (5), a buyer of goods
19 other than a buyer in ordinary course of business takes free of a security interest to
20 the extent that it secures advances made after the earlier of:

21 (a) The time the secured party acquires knowledge of the buyer's purchase; or

22 (b) Forty-five days after the purchase.

23 (5) ADVANCES MADE PURSUANT TO COMMITMENT: PRIORITY OF BUYER OF GOODS.
24 Subsection (4) does not apply if the advance is made pursuant to a commitment

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1 entered into without knowledge of the buyer's purchase and before the expiration of
2 the 45-day period.

3 (6) LESSEE OF GOODS. Except as otherwise provided in sub. (7), a lessee of goods,
4 other than a lessee in ordinary course of business, takes the leasehold interest free
5 of a security interest to the extent that it secures advances made after the earlier of:

6 (a) The time the secured party acquires knowledge of the lease; or

7 (b) Forty-five days after the lease contract becomes enforceable.

8 (7) ADVANCES MADE PURSUANT TO COMMITMENT: PRIORITY OF LESSEE OF GOODS.

9 Subsection (6) does not apply if the advance is made pursuant to a commitment
10 entered into without knowledge of the lease and before the expiration of the 45-day
11 period.

12 **409.324 Priority of purchase-money security interests. (1) GENERAL**
13 **RULE: PURCHASE-MONEY PRIORITY.** Except as otherwise provided in sub. (7), a perfected
14 purchase-money security interest in goods other than inventory or livestock has
15 priority over a conflicting security interest in the same goods, and, except as
16 otherwise provided in s. 409.327, a perfected security interest in its identifiable
17 proceeds also has priority, if the purchase-money security interest is perfected when
18 the debtor receives possession of the collateral or within 20 days thereafter.

19 (2) INVENTORY PURCHASE-MONEY PRIORITY. Subject to sub. (3) and except as
20 otherwise provided in sub. (7), a perfected purchase-money security interest in
21 inventory has priority over a conflicting security interest in the same inventory, has
22 priority over a conflicting security interest in chattel paper or an instrument
23 constituting proceeds of the inventory and in proceeds of the chattel paper, if so
24 provided in s. 409.330, and, except as otherwise provided in s. 409.327, also has
25 priority in identifiable cash proceeds of the inventory to the extent that the

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1 identifiable cash proceeds are received on or before the delivery of the inventory to
2 a buyer, if:

3 (a) The purchase–money security interest is perfected when the debtor receives
4 possession of the inventory;

5 (b) The purchase–money secured party sends an authenticated notification to
6 the holder of the conflicting security interest;

7 (c) The holder of the conflicting security interest receives the notification
8 within 5 years before the debtor receives possession of the inventory; and

9 (d) The notification states that the person sending the notification has or
10 expects to acquire a purchase–money security interest in inventory of the debtor and
11 describes the inventory.

12 (3) HOLDERS OF CONFLICTING INVENTORY SECURITY INTERESTS TO BE NOTIFIED.
13 Subsection (2) (b) to (d) applies only if the holder of the conflicting security interest
14 had filed a financing statement covering the same types of inventory:

15 (a) If the purchase–money security interest is perfected by filing, before the
16 date of the filing; or

17 (b) If the purchase–money security interest is temporarily perfected without
18 filing or possession under s. 409.312 (6), before the beginning of the 20–day period
19 thereunder.

20 (4) LIVESTOCK PURCHASE–MONEY PRIORITY. Subject to sub. (5) and except as
21 otherwise provided in sub. (7), a perfected purchase–money security interest in
22 livestock that are farm products has priority over a conflicting security interest in
23 the same livestock, and, except as otherwise provided in s. 409.327, a perfected
24 security interest in their identifiable proceeds and identifiable products in their
25 unmanufactured states also has priority, if:

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1 (a) The purchase–money security interest is perfected when the debtor receives
2 possession of the livestock;

3 (b) The purchase–money secured party sends an authenticated notification to
4 the holder of the conflicting security interest;

5 (c) The holder of the conflicting security interest receives the notification
6 within 6 months before the debtor receives possession of the livestock; and

7 (d) The notification states that the person sending the notification has or
8 expects to acquire a purchase–money security interest in livestock of the debtor and
9 describes the livestock.

10 (5) HOLDERS OF CONFLICTING LIVESTOCK SECURITY INTERESTS TO BE NOTIFIED.
11 Subsection (4) (b) to (d) applies only if the holder of the conflicting security interest
12 had filed a financing statement covering the same types of livestock:

13 (a) If the purchase–money security interest is perfected by filing, before the
14 date of the filing; or

15 (b) If the purchase–money security interest is temporarily perfected without
16 filing or possession under s. 409.312 (6), before the beginning of the 20–day period
17 thereunder.

18 (6) SOFTWARE PURCHASE–MONEY PRIORITY. Except as otherwise provided in sub.
19 (7), a perfected purchase–money security interest in software has priority over a
20 conflicting security interest in the same collateral, and, except as otherwise provided
21 in s. 409.327, a perfected security interest in its identifiable proceeds also has
22 priority, to the extent that the purchase–money security interest in the goods in
23 which the software was acquired for use has priority in the goods and proceeds of the
24 goods under this section.

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1 (7) **CONFLICTING PURCHASE-MONEY SECURITY INTERESTS.** If more than one security
2 interest qualifies for priority in the same collateral under sub. (1), (2), (4), or (6):

3 (a) A security interest securing an obligation incurred as all or part of the price
4 of the collateral has priority over a security interest securing an obligation incurred
5 for value given to enable the debtor to acquire rights in or the use of collateral; and

6 (b) In all other cases, s. 409.322 (1) applies to the qualifying security interests.

7 **409.3245 Priority of production-money security interests and**
8 **agricultural liens.** (1) Except as otherwise provided in subs. (3), (4), and (5), if the
9 requirements of sub. (2) are satisfied, a perfected production-money security
10 interest in production-money crops has priority over a conflicting security interest
11 in the same crops to the extent of the production-money obligation secured by the
12 production-money security interest and, except as otherwise provided in s. 409.327,
13 also has priority in their identifiable proceeds.

14 (2) A production-money security interest has priority under sub. (1) if:

15 (a) The production-money security interest is perfected by filing when the
16 production-money secured party first gives new value to enable the debtor to
17 produce the crops;

18 (b) The production-money secured party sends an authenticated notification
19 by certified mail to the holder of the conflicting security interest not less than 20 or
20 more than 30 days before the production-money secured party first gives new value
21 to enable the debtor to produce the crops if the holder had filed a financing statement
22 covering the crops before the date of the filing made by the production-money
23 secured party; and

24 (c) The notification states that the production-money secured party has or
25 expects to acquire a production-money security interest in the debtor's crops and

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1 provides a description of the crops, the name and mailing address of the
2 production–money secured party giving the notice, the name and mailing address of
3 the debtor, the name and mailing address of the lender to whom notice is being sent,
4 the date on which the transaction would take place, and the maximum amount of
5 new value to be provided.

6 (3) Except as otherwise provided in sub. (4) or (5), if more than one security
7 interest qualifies for priority in the same collateral under sub. (1), the security
8 interests rank according to priority in time of filing under s. 409.322 (1).

9 (4) To the extent that a person holding a perfected security interest in
10 production–money crops that are the subject of a production–money security interest
11 gives new value to enable the debtor to produce the production–money crops and the
12 value is in fact used for the production of the production–money crops, the security
13 interests rank according to priority in time of filing under s. 409.322 (1).

14 (5) To the extent that a person holds both an agricultural lien and a
15 production–money security interest in the same collateral securing the same
16 obligations, the rules of priority applicable to agricultural liens govern priority.

17 **409.325 Priority of security interests in transferred collateral. (1)**

18 SUBORDINATION OF SECURITY INTEREST IN TRANSFERRED COLLATERAL. Except as
19 otherwise provided in sub. (2), a security interest created by a debtor is subordinate
20 to a security interest in the same collateral created by another person if:

21 (a) The debtor acquired the collateral subject to the security interest created
22 by the other person;

23 (b) The security interest created by the other person was perfected when the
24 debtor acquired the collateral; and

25 (c) There is no period thereafter when the security interest is unperfected.